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FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 126

January 19, 1933

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

SILVER

Trade Promotion Series No. 139, "The Silver Market," the supply of which was exhausted shortly after publication of the bulletin last month, has now been reprinted and copies can be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C., or from any district or cooperative office of the Bureau. The price is 10 cents a copy.

AUSTRALIA

(One pound at par = \$4.8666 -- at present worth about 80 per cent of £)

Budget Figures Published

The Australasian Insurance and Banking Record for November 21, 1932, page 959, contains detailed Commonwealth budget figures for the three months ended September 30, 1932.

Magazine Commends Issuance of Loan (The Australasian Insurance and Banking Record, 11/21/32, page 933)

The Commonwealth Government is now offering on the Australian market a 3½ per cent loan of £8,000,000, redeemable in 1942 at par, half of the amount being intended as a first step toward funding the floating debt, and the other half for public works. The former object is desirable, as the floating debt has reached the point beyond which it should not be permitted to go. However convenient it may be in some respects, the Treasury bill system is open to considerable objection when it becomes a form of inflation, especially when it is used for the purpose of financing revenue deficits which constitute the major portion of the purposes for which the floating debt has been incurred. Properly speaking, revenue deficits should be liquidated out of future revenue, if the method is at all practicable. Meanwhile it is

AUSTRALIA (CONT'D)

better that Government borrowing should be based upon real capital, and not upon inflation. Apart from its influence in giving an artificial stimulus to trade and other activities, with the probability of a fresh reaction subsequently, the treasury bill system, if used in an inflationary manner, is calculated to lead to an enlargement of imports, thus putting fresh pressure upon exchange, though the depreciation of the currency has gone quite far enough already. The clause in the prospectus by which the Government reserves the right to accept subscriptions in excess of the amount of £8,000,000 has undergone some criticism. This method might have been justifiable when the pressing needs of war finance had to be met, but in view of the magnitude of existing debts incurred mainly for other purposes, any fresh borrowing should be kept within the defined limits.

Commonwealth Bank Return Reflects Government Loan (Trade Commissioner E. C. Squire, Sydney, 12/12/32)

Movements revealed in the return of the Commonwealth Bank as of December 5 are an indirect result of the raising of the £8,000,000 loan, which closed during the week. In the general banking department "deposits" show an increase of £3,969,823 and "short-term loans in Australia" an increase of £4,639,967. Of the proceeds of the loan, £4,000,000 is to be devoted to the retirement of Commonwealth treasury bills. Apparently what has happened is that, pending the availability to the Government of the loan proceeds, the Commonwealth Bank made advances to the Governments to enable £4,000,000 of the Treasury bills due December 1 to be retired. The deposits of the trading banks with the Commonwealth Bank have accordingly increased by this amount, and the short-term loan item of the Commonwealth Bank has been similarly increased. The variation from £4,000,000 in the movement of either item represent other operations. When the Government repays the Commonwealth Bank, the short-term item will be reduced by £4,000,000. Returns compared with the previous week and the corresponding week of last year as follows:

	<u>At Dec. 7, 1931</u>	<u>At Nov. 28, 1932</u>	<u>At Dec. 5, 1932</u>
Total deposits	£46,977,042	£62,446,094	£66,415,917
Notes issued	51,803,426	49,053,426	49,053,426
London call money	8,312,000	15,489,000	14,714,000
Government securities	58,931,750	66,750,507	66,808,308
Treasury bills	9,509,250	7,121,208	11,761,175

Federal Loan Unsuccessful (Same source)

The £8,000,000 Federal loan, which closed December 5, must be regarded as unsuccessful. The general public subscribed only £3,000,000; the banks will take £5,000,000, of which £2,100,000 represents subscriptions.

Australian Exchange Rates (Same source)

Exchange rates between Australia and London for the week ended December 10 were:

T. T. official rate (buying)	
spot and within 14 days	£125 per £100 London funds
28 days	£124½ per £100 London funds
"Outside" market	£125 3s. per £100 London funds.

The tendency of the outside market is steady.

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Debt Commission's Report (The Australasian Insurance and Banking Record, 11/21/32, page 949)

The ninth annual report of the National Debt Commission, which controls Commonwealth and State sinking funds, was presented to the House of Representatives November 11. During 1931-32 receipts of the Commission in respect of Commonwealth debt totaled £3,372,963, while £512,944 was brought forward from 1930-31, making a total of £3,885,907 available. On the expenditure side, it is shown that £1,835,735 was used for debt redemption during the year, leaving a balance to be carried forward to 1932-33 of £2,050,172, of which £512,943 was invested and £1,537,228 was held in cash. In respect to the States' debts the year began with a balance of £2,262,717 brought forward from 1930-31. Receipts for the year amounted to £3,828,418 and the expenditure of the sinking fund was £3,357,648, leaving a balance of £2,733,487 in the fund on June 30, of which £1,580,341 was invested and £1,153,146 was held on current account and on deposit. Since the Commission was set up in 1923, its total receipts in respect of Commonwealth debt have amounted to £38,428,087, and since the establishment of the sinking fund for State debts in 1927 the Commission has received £17,135,355 on account of State sinking funds.

The Auditor-General's Report (*) (Trade Commissioner E. C. Squire, Sydney, 12/5/32)

The annual report of the auditor general of Australia for the year ended June 30, 1932, has just been released. Some of the statements in the report are: An air mail to England is too costly; people should work for the dole; the income tax exemption should be cut to £100; further Government expense on oil prospecting is questioned. The report states: "The amount being paid out in Australia at the present time for social services is enormous. Figures recently quoted in the Senate show that the cost has risen from £8,729,338 in 1911 to £45,087,916 in 1931." The auditor general further states that pensions have been overpaid by tens of thousands. In four war pensions cases alone improper payments totaled £4,000.

Federal Income Exceeds Expectations (Same source, 12/3/32)

The Canberra statement of December 2 indicates rather favorable Federal income, owing to increased imports. Estimated customs collections for the first five months of this financial year were £11,500,000, but actual collections were £14,072,810, or £2,423,984 more than the total for the corresponding five months of 1931 (£11,648,826). The States, however, are still showing deficits.

Report of the Bank of New South Wales for the year ending September 30, 1932 (Same source, 12/5/32)

After providing for bad debts and reduction of "bank premises" the Bank of New South Wales earned a profit of £462,967 for the year ended September 30, 1932, compared with £565,235 for the previous year and £734,699 in 1929. The profit represented 3.05 per cent on shareholders' funds. Strong reference was made in the report to legislative interference with business.

Australian Savings Banks Deposits on October 31, 1932 (Same source)

Figures supplied by the Commonwealth Bureau of Statistics show that in October savings bank deposits throughout Australia amounted to £198,108,000, an increase of £306,000 over the total for September. The changes in the amount on deposit in the several States were insignificant.

AUSTRALIA (Cont'd)

Australia's Gold Boom (The Australasian Insurance and Banking Record, 11/21/32, page 962)

Australia's gold output in recent years has been as follows:

<u>Gold Yield, Different States</u>		Fine Ozs.
1928		457,669
1929		430,629
1930		466,579
1931		591,742
1932 (estimated approximately)		700,000

The average price in Australia for fine gold for nine months ended September, 1932, was £7. 2s. 9d. per ounce, so that it can be stated that we are now producing gold at the rate of about £5,000,000 per annum in Australian currency.

The total output of gold for Australia to the end of 1931 amounted to 148,222,909 fine ounces, of which Victoria contributed 71,392,561 fine ounces.

The normal price for fine gold was £4 5s., whereas the price in London this week has touched £6 5s. per ounce, which, to the Australian producer, is equal to £7 15s. per ounce.

Monetary Use of Silver in Australia (Based on a report from Trade Commissioner E. C. Squire, Sydney, 12/2/32)

Australia normally uses silver coins of Great Britain as well as its own. From the commencement of local coinage in 1910, down to June 30, 1932, £7,427,000 of silver currency was coined by the Australian branches of the Royal Mint. Worn Australian coins withdrawn from circulation by the end of 1930 totaled £3,126,000, while British silver coins similarly withdrawn in Australia amounted to £1,816,000. Since the Australian pound went to a substantial discount in terms of sterling in 1930, British silver coins have been privately exported from the Commonwealth so that at present practically no British silver coins are in circulation here. Coinage of silver in Australia is under the control of the Commonwealth Treasury, coinage being ordered according to the requirements of trade, much as is the case in the United States. Silver in Australia limited in legal tender to 40 shillings. The silver coins are in denominations of one-fourth, one-half, 1 and 2 shillings, but their fineness, instead of 0.500 as in Great Britain, is 0.925.

CEYLON

Ceylon Budget - 1932-33*

The Finance and Investment Division has received a report (No. 58315) from Vice Consul Llewellyn E. Thompson, Colombo, dated November 21, 1932, on the above subject.

CHINA

The following quotations of Chinese exchange were the buying rates in New York City for telegraphic transfers on Shanghai on January 11, 1933; Shanghai tael, \$0.2797; Mexican dollar, \$0.1981, Yuan, \$0.1975.

British Urge Payment of Debts as Condition for Boxer Grant (China Weekly Review, 12/10/32)

A grant of assistance of £2,450,000 requested by the Ministry of Railways for the completion of construction of the Canton-Hankow Railway was asthorized at the meeting of the board of trustees of the British Boxer Indemnity Funds held***during the week. It was so modified, however, at the meeting that the grant will be made conditional upon the agreement to be secured by the Ministry of Railways from the Chinese-British Syndicate. The latter has been urging payment from the railways ministry in settlement of outstanding debts. Of the total of £2,450,000, the sum of £1,200,000 which is to be appropriated from China will be used as security for the issuance of public loan bonds, while the remaining £1,250,000 will be spent through the purchasing committee at London. The money and loan bonds secured therefrom will be devoted to the construction of the section between Shaokwan and Chuchow on the Canton-Hankow Railway.

The other request from the Ministry of Railways for £500,000 for the Lunghai Railway, however, was dismissed pending investigation into the relations between the Lunghai Railway and its Belgian creditor. A third request for £16,000 to be used for the purchase of material for the construction of a ferry service to link up the Shanghai-Nanking and Tientsin-Pukow lines at Nanking was also granted.

Successful Flotation of Shanghai Loan (Minister Nelson T. Johnson, Peiping, 12/22/32)

A British newspaper report from Shanghai states: "The 6,000,000 yuan loan which a firm of British financiers floated for the Government of Greater Shanghai was oversubscribed. Four million yuan of the loan had been allotted prior to flotation. For the balance of 2,000,000 a total of 3,780,000 dollars was subscribed by the public within two hours. The proceeds of the loan will be applied to rehabilitation of the Chapei, Kiangwan, and Woosung areas devastated as result of Japanese attacks in the early part of the year, and for the improvement and development of Greater Shanghai, a city of 2,000,000 enveloping the foreign settlements.

"The terms of flotation of the loan were completed about a month ago by T. V. Soong, Minister of Finance, General Wu Tieh Chen, mayor of Greater Shanghai, and Ellis Hayim, prominent financier representing the British firm of Benjamin and Potts, who underwrote the loan. The loan is secured upon revenue of Shanghai, and wharfage dues which are collected and paid by the customs commissioner, and it will be supplemented, if necessary, from customs revenue which Sir Frederick Maze, the inspector general, must pay under irrevocable instructions from the Chinese Minister of Finance."

New Coins to be Minted in Manchuria (Assistant Trade Commissioner Louis C. Venator, Mukden, 12/2/32)

It is planned to reopen the Mukden mint and produce subsidiary coins. These will include 50-cent, 10-cent, and 5-cent pieces. Specifications have not yet been announced but it is probable that they will resemble Japanese coins and contain considerably less than face value in silver.

CHINA (Cont'd)

Quantities of silver yuan have recently been imported from Shanghai, and these are gradually finding their way into the Central Bank, where they are being held as reserves. Silver yuan have a limited circulation in Manchuria and it is not believed that any new yuan coins will be struck for the present.

Japanese Banks Threaten to Withdraw Chinese Credits (China Weekly Review, 12/10/32)

Japanese banking and export houses which have been extending credits to Chinese firms are planning to withdraw them, it was reported in a recent Tokyo telegram. Representatives of the Mitsui, Mitsubishi, and Yokohama Specie banks conferred on the advisability of such a course December 13. Some of those attending the conference said Japanese banking houses should not extend credits to Chinese merchants and financial concerns while China was not redeeming loans made to the Nanking Government. The bankers claimed that this was not so much due to lack of Government income as to the expenditures for military purposes.

Stocks of Silver in China (Commercial Attache Julean Arnold, Shanghai, 12/6/32)

At the beginning of December Mr. E. Kann, local authority on silver exchange, estimated the stocks of silver in various places in China as follows: Shanghai, 530,000,000 ounces; Manchuria, 100,000,000 ounces; Tientsin, 100,000,000 ounces; Hong Kong, 150,000,000 ounces; and Hankow, 50,000,000 ounces. His estimate of the total stock of silver in China is approximately 2,000,000,000 fine ounces, or about four times Shanghai's stock. On the other hand, it is believed by some that China's stock is smaller than estimated by Mr. Kann, amounting to perhaps 1,600,000,000 fine ounces, or about three times Shanghai's stock.

Plans for Mint Announced (Same source)

The Finance Minister states his intention to open the central mint at Shanghai on March 1 for the coinage of silver yuan at the rate of 71½ Shanghai-tael cents per yuan. The mint will also manufacture silver bars 0.999 fine. An advisory board composed of prominent merchants and officials will be designated to assist in the maintenance of the fineness of the new silver yuan. Reputable firms will be appointed as assayers to the mint.

EGYPT

Monetary Use of Silver in Egypt (Based on a report from Commercial Attache G. Dickerson, Jr.,
Cairo, 12/28/32)

Silver coinage outstanding in Egypt approximates the legal limit of 40 piasters per capita set forth in the decree of November 14, 1885. (One piaster is one-hundredth of an Egyptian pound, which has a par value of approximately \$4.943.) On October 31, 1932, there were about £E4,111,000 of silver coins in circulation, and about £E2,000,000 additional in the National Treasury. Without amending the present law, the amount of silver in monetary use can not be appreciably increased. Promulgation of legislation to do this does not appear to be likely.

INDIA

(On January 12, 1933 one rupee = \$0.2539)

Report on Federal and Provincial Finances*

The Finance and Investment Division has received a report from Vice Consul Donald H. Robinson, Calcutta, dated November 30, 1932 (No. 58018), covering reports of the Federal Finance Committee 1932; and the Bengal Retrenchment Committee 1932. From the estimates and suggestions of the Federal Committee, it is obvious that although India as an entity faces financial difficulties, none of the Provinces, except Bengal, is seriously affected.

Bombay Gold and Silver Markets (Trade Commissioner G. Howard, Calcutta, 12/1/32)

The Bombay gold market was firm during the week ended November 25. The daily offtake and stocks were unchanged. Imports during the week totaled 418,000 rupees in bar and coin. Exports during the previous week amounted to 21,614,000 rupees.

The Bombay silver market fluctuated within a very narrow range with a daily offtake of 25 bars a day, and stocks at 10,100 bars. Imports during the week were 47,600 rupees in coin.

Official Comment on India's Gold Exports (Trade Commissioner Roger R. Townsend, London, 12/20/32)

In reply to a recent question in Parliament it was stated that the total value of gold bullion and coin imported from India to the United Kingdom between September 21, 1931 (when the gold standard was suspended) and December 9, 1932, was £67,501,216. The reply further stated that a small proportion of these imports included a number of British sovereigns which were valued at par, while the rest was valued at the commodity value of gold. No indication was given of the final destination of this gold.

This unusual exodus of gold from India began when the gold standard was suspended in September, 1931, and is the subject of interesting comment in the 62nd annual report of the Deputy Master and Comptroller of the Royal Mint in London, which has just been issued. This report refers to the domestic "gold rush" in Great Britain, which yielded gold in various forms to a value of about £14,000,000, and then states that the same phenomenon was observable in Australasia and India. The contribution made from Indian hoards is mentioned as having been of notable assistance to the pound sterling in its struggle with the franc and the dollar. The gold exported from India is estimated to have reached £25,000,000 up to the end of 1931, and to have increased to £61,000,000 by the end of August. The report further states that for many years British India has been known to be a veritable sink for gold, with accumulations variously estimated at from £500,000,000 to £600,000,000 between 1873 and 1931 alone, and that the importance of this new outward movement and the consequent decrease in her unprofitable metallic hoards is at once significant and encouraging.

Gold leaves for New York (Trade Commissioner G. Howard, Calcutta, 12/8/32)

A heavy consignment of gold left India on the "President Harrison" for New York on December 2, the consignment being valued at 25,130,560 rupees, consisting of bar gold worth 23,661,909 rupees and sovereigns worth 1,468,652 rupees. The Bombay gold market fluctuated heavily during the week, with sellers offering gold both on the rise and the decline, being afraid to miss a good market. The daily offtake from Bombay stocks continues at 2,000 tolas and stocks have increased to 400,000 tolas. Imports of gold (into Bombay) during the week ended December 2 amounted to 105,548 rupees in bars and coin.

INDIA (Cont'd)

Rumors of a lower duty cause speculation in Silver (Same source)

The Bombay silver market declined from 55-7 rupees to 50-8 rupees and it is believed that fresh reports regarding a reduction in the import duty of silver contributed largely to this fall. The offtake is only 20 bars and stocks aggregate 10,000 bars.

JAPAN

(On January 11, 1933 one yen = \$0.2058)

Japan's Debt on November 30, 1932 (Commercial Attache Halleck A. Butts, Tokyo, 12/16/32)

Japan's national debt at the end of November, 1932, as reported by the Department of Finance, Tokyo, was as follows: National loans, 6,521,774,824 yen, divided into domestic 5,123,477,675 yen; and foreign, 1,398,297,149 yen; treasury bonds, 240,000,000 yen; and rice notes, 103,685,952 yen.

Japan's Budget Figures*

A table from the 1932 Financial and Economic Annual of Japan showing Japan's budget figures for 1927-28, inclusive.

Public Dissatisfaction with the Budget (Commercial Attache Halleck A. Butts, Tokyo, 12/17/32)

It is not likely that public opinion will become crystallized as regards the approval of the budget for the next fiscal year until the Diet is actually in session, or toward the close of January. Probably no one is satisfied with the indicated deficit of one billion yen. The cabinet approved it only because circumstances seemed to demand the funds approved. A large portion of the public, highly patriotic, and paying little or no direct tax, lent noisy approval. The financiers, equally loyal, disapproved and remained silent. It can not be denied that most of the estimated expenditures are really considered necessary by the various ministers, and that in some cases the money asked for will actually be spent. It is believed that consideration of this budget will result in one of the most interesting of Diet sessions. Substantial reductions are not anticipated but there is every indication of thoughts being expressed more freely than heretofore.

Condition of Deposit Account. November. 1932 (Same source, 12/16/32)

The following is the official statement of the deposit account of the Deposits Bureau, Department of Finance, Tokyo, at the end of November, 1932:

<u>Funds in the Deposit Account:</u> (Liabilities)	Yen
Postal savings deposits and transfer	2,837,220,669
Reconstruction savings securities sales deposits	78,122,515
Special Government account and other deposits	358,306,578
Reserves of the Deposits Bureau	279,224,774
Revenues of the Deposits Bureau	<u>153,608,110</u>
Total	3,706,482,646

JAPAN (Cont'd)

<u>Use of the Funds: (Assets)</u>	Yen
National bonds	1,157,981,902
Municipal bonds	728,003,969
Hypothec Bank bonds	422,057,951
Industrial Bank bonds	50,801,905
Other securities	391,111,487
Chinese Government bonds	11,066,455
4 per cent Chinese Government indemnity bonds	20,106,660
British exchequer bonds	942,014
Loans	673,912,391
Deposits abroad	67,947,583
Deposits at home	66,193,471
Deposits Bureau account	<u>116,356,858</u>
Total	3,706,482,646

Exchange Control Tightening (Same source, 12/27/32)

The Government is tightening the exchange control, and there are indications that it will insist upon the prompt banking of bills drawn in connection with Japan's export trade. There are indications of closer supervision of imports during 1933.

Exchange Situation Under Careful Consideration (Same source, 12/12/32)

Unquestionably, the outstanding problem of the day is the exchange situation and serious consideration and action must be taken without much further delay. Industrialists and manufacturers, particularly those engaged in export, have profited considerably. Some manufacturers were sufficiently farsighted to realize that such profits were only temporary. Others, content with the favorable business they were securing, gave no thought to the future. The former have been petitioning the Government for months to take some action to stabilize exchange. Although the latter also appreciated the importance of this suggestion, they were powerless to prevent continued declines.

The exchange control law was undoubtedly beneficial, but it did not accomplish its purpose. At the time of its enactment it was sincerely hoped that the yen might be maintained at a minimum value of 25 cents U. S. The quotations actually reached a fraction below 20 cents and transactions by banks were made more difficult by the requirement that reports be submitted on the purpose, etc. of each individual transaction. From that time exchange strengthened and it is believed that dollars have not been purchased at a rate below 20½ for normal transactions.

Industrialists of prominence are now urging the Government to take such action as will absolutely avoid any further decline and possibly raise the value. They realize that they can no longer purchase foreign raw materials with the proceeds collected during the past two or three months from their export sales of manufactured goods. It is true that if they were certain that the yen would continue to decline, they might continue their profits. However, they greatly fear that any further decline which would insure profits would place the entire currency problem in such a precarious position as to make all transactions extremely speculative.

JAPAN (Cont'd)

The Government hoping to allay further declines is giving serious consideration to the purchase of foreign securities, although it does not desire to order compulsory sales. The basis of the purchases is the problem; and thus far alternatives considered are the average market price for one year preceding the purchase; the price at which present owners bought; the average between owners' purchase price and market quotations at the time of Government purchase; and arbitrary fixed prices. None of these suggestions is ideal, but this can not be expected.

It is entirely probable that a new form of exchange control bill will be presented at the next Diet session. The Department of Finance has realized weaknesses in the present bill, and in the meantime has been studying exchange control laws of other countries, namely, Germany and South American countries. It may be that an official exchange rate will be named and that all foreign exchange transactions will be delegated solely to the Yokohama Specie Bank or the Bank of Japan. There is also the possibility that export and import trade must be covered by certificates of the bank, thus insuring the selling of all exchange derived from exports.

It is estimated that the Japanese insurance companies now hold Japanese securities payable in foreign currencies in the amount of 54,000,000 yen. The insurance companies oppose any forced sale of these securities which might possibly result in a loss because it is their contention that these securities are really owned by their policyholders. This form of publicity, of course, results in pressure against the movement by such part of their policyholders as are interested in the financial position and reserves of their respective companies.

Unprofitable Result of Low-Exchange Exports (Commercial Attache Halleck A. Butts, Tokyo, 12/17/32)

Manufacturing in general has reached the stage of what may be termed a small boom. Securities have continued their advance, as have commodities. The Bank of Japan reports an increase of 5.2 per cent in its wholesale index for November, revealing a total increase of 21 per cent during the past 12 months. The retail index is up only 8.7 per cent, but many persons believe that within 90 days it will rise to 15 per cent. Thus far, the unusual activity has been due almost solely to the decline in the exchange value of Japanese currency. If this activity is to continue on the same scale, currency must continue to decline. This is, however, extremely dangerous. The present need is the elimination of speculation in the purchase of raw materials.

The Japanese manufacturer, though showing profits because of declining exchange, has, in fact, been most unwise regarding price reductions. On the whole, exporters have been content to sell their manufactured goods at a small profit, with the result that they now find that the proceeds of their sales for the last six months are not sufficient to continue the purchase of raw materials on the same scale.

Note Issue Increases (Same source, 12/27/32)

The note issue of the Bank of Japan has been gradually increasing. (It should be noted that the Bank of Japan's note issue increases seasonally at the end of December by reason of the customary settlement of accounts at that time.)

JAPAN (Cont'd)

Banks May Lower Interest Rates (Same source)

Japanese banks are considering the reduction of interest rates on deposits.

Postal Savings Withdrawals Make Money Cheaper (Same source, 12/17/32)

Postal savings withdrawals since August 1, now total 145,000,000 yen and it is estimated that an additional 15,000,000 yen will be withdrawn before the new year. This withdrawal, while in excess of that anticipated when the interest rate was reduced from 4.2 per cent to 3 per cent, is in fact only a small percentage of total resources of the Deposits Bureau, which aggregated about 2,750,000,000 yen. Bank deposits continue to increase and, inasmuch as there seems to be no opportunity for reinvestment, redeposits with the Bank of Japan are being made. The result is that money is extremely cheap, and will be available in ample quantities to permit year-end settlements to be made with more ease than has been the case during the past decade.

The Japanese "Franc" Bonds of 1910 (Same source, 12/7/32)

The Government's 4 per cent "franc" issue of 1910 is payable in Japan at the fixed rate of 258 francs per 100 yen. It is payable in Paris and London at the current rate of exchange. The change in the value of the French franc and the depreciated value of the yen does not alter the terms of redemption. A bond for 1,000 francs presented to the banking representative of the Japanese Government in Paris would bring 1,000 francs. If sent to Japan for collection, it would be redeemed at the fixed rate of 258 francs per 100 yen, or for 387½ yen. French holders of these bonds, by forwarding them to Japan for redemption and converting the yen into francs at the present rate of exchange in Tokyo, would secure approximately 1980 francs per bond. Accordingly, the bonds are sent to Japan for redemption.

Note Issues at the End of November, 1932 (Same source, 12/16/32)

The outstanding note issue on November 30, 1932, as officially reported by the Department of Finance, Tokyo, was as follows:

	Yen
Bank of Japan notes outstanding	1,116,756,392
Bank of Chosen notes outstanding	109,908,892
Bank of Taiwan notes outstanding	45,037,992
Government small notes outstanding	<u>11,380,000</u>
Total	1,283,083,276

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 37,900,753 yen on November 30, 1932.

Monetary Use of Silver in Japan (Based on Report from Commercial Attache Halleck A. Butts, Tokyo)

Although the gold standard is temporarily in suspense in Japan, no increased use of silver in the currency system is anticipated. The present law provides for silver coins of 50-and 20-sen denominations. (The yen consists of 100 sen and has a par value of U. S. \$0.4985.) Silver 1-yen, 10-sen and 5-sen coins are no longer minted. The fineness of Japan's silver currency as prescribed by law is 0.720, giving the 50-sen coins a silver content of about 55 grains. The 1931 circulation of silver coins in Japan is reported at 7689--11.

JAPAN (Cont'd)

465,736,000 yen. There is no prospect of any increase in this figure beyond the "natural" requirement of trade, although the Finance Ministry is free, under the authority of existing legislation, to increase the coinage at will. From 1870 to 1931, inclusive, silver coin to a face value of 617,673,000 yen was issued in Japan, while coin withdrawn from circulation during the years 1878-1912, totaled 151,937,000 yen. (Japan's currency system is described in Trade Information Bulletin No. 673 (10 cents) and Trade Promotion Series No. 116 (50 cents;)) both publications may be obtained at the Superintendent of Documents, Government Printing Office, Washington, D. C.)

Stock Exchange Active (Commercial Attache Halleck A. Butts, Tokyo, 12/27/32)

The stock exchange has been unusually active during the last few days of December, and security prices rose.

NETHERLAND EAST INDIES

(On January 11, 1933 one florin = \$0.4018)

Credit for the Netherland Indies (American Minister Laurits S. Swenson, The Hague, 12/6/32)

The Minister of Finance has introduced a bill providing for the granting of credits, to a sum not to exceed 350,000,000 florins, for the 1933 Netherland Indies budget. Such credits will be placed at the disposal of the Minister of Colonies for transfer to the Indies as need arises.

That part of the estimated Indies deficit for 1933 which will have to be covered in the Netherlands proper is calculated at 167,000,000 florins. It is expected that 12,000,000 florins will be paid in the Indies as interest on Government loans, which would leave a deficit of 155,000,000 to be advanced from Holland. Since it is estimated that 225,000,000 florins of the 250,000,000 credit authorized for 1932 will have been taken up by the end of 1932, the Minister of Finance estimates a total deficit of 380,000,000 must be covered during 1933 from the home Government.

While asking authorization of credits in the sum of 350,000,000 florins, the Minister points out that if 150,000,000 florins of the Second East Indies Loan of 1931 can be issued during 1933, the advance from the home treasury on behalf of the Indies would not exceed the sum of 230,000,000 florins.

NEW ZEALAND

(One pound at par = \$4.8666)

Announcement Regarding the War Debt (Trade Commissioner Julian B. Foster, Wellington, 12/12/32)

The Minister of Finance announced that New Zealand will not have to pay interest on her war debts to Great Britain this year. That is, Great Britain has not compelled her to pay. Thus, New Zealand saves £850,000. In view of the financial position of the Government it is not believed that it will voluntarily make this payment to Great Britain.

NEW ZEALAND (Cont'd)

New Zealand Offers to Resume War Debts Payments to Great Britain (Same source, 12/19/32)

The New Zealand Government has cabled the British Government offering to resume payments on the funded war debt. Payments were temporarily suspended under the "Hoover Moratorium." The present move will mean that the New Zealand Government will have to find £1,650,000 extra during the fiscal year to meet her payments to the United Kingdom, if the British Government should accept this offer. This would increase the deficit in the budget which has been estimated at £1,000,000.

New Zealand to have Central Reserve Bank* (Same source, 12/15/32)

A bill proposing the establishment of a Central Reserve Bank has been introduced in the New Zealand House of Representatives. It is probable that this will be passed when Parliament meets in the latter part of January, but it is unlikely that the actual opening and functioning of the bank will commence before February or March, 1934. Further details may be had upon request for report No. 164662.

Government Now More Dependent Upon the Home Capital Market (Australasian Insurance and Banking Record, 11/21/32, page 942)

With regard to fresh borrowing arrangements, Acting Finance Minister Forbes stated that the possibility in future of raising additional funds overseas at a reasonable cost is at present uncertain, and the Government must be prepared to rely more on the local market for essential capital requirements. Of the loan of £5,000,000 raised in London last April, only £1,000,000 is available for capital works this financial year, and the balance of requirements will have to be raised locally. With reference to London maturities, Mr. Forbes stated that the Government has the option at any time after July 16, 1932, on giving three months' notice, to repay the £5,000,000 bonds raised there in 1931.

New Zealand Reports Available*

The Finance and Investment Division has received a report of the Bank of New South Wales, dated November 2, 1932; also a report of the Rural Intermediate Credit Board for the year ended June 30, 1932. It will be glad to loan these reports to interested parties for a limited time.

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

Ruling on Bond Interest (Trade Commissioner E. D. Hester, Manila, 12/8/32)

The Manila Tribune of November 3, 1932, contains an item on the unconstitutionality of a tax on bond interest under certain conditions. The item reads in part: "The constitutionality of Act No. 2833, as amended by Act 3761, authorizing the collector of internal revenue to levy and charge taxes on interest payable to nonresident alien bondholders by the Philippine Railway company, is upheld by Judge Pedro Ma. Sison, of the court of first instance, in a decision handed down yesterday."

SIAM

(One baht = 1/11 of a pound sterling or on
January 11, 1933, approximately \$0.3046)

Monetary Use of Silver in Siam (Based on Report from Commercial Attache Charles E. Brookhart, Bangkok)

Siam offers no possibility of an increased monetary use of silver. In 1902 the mints were closed to free coinage of silver, silver ticals, however, retaining full legal tender properties. In 1919 the high price of silver resulted in silver coins practically disappearing from circulation, and the note issue was made temporarily inconvertible. In 1928 the tical was renamed "baht," the currency being kept on a sterling-exchange basis. In 1931 the Finance Minister was authorized to sell as bullion unneeded silver bahts in the Treasury reserve. Thereupon about 20,000,000 fine ounces were sold for the Treasury, which, on September 30, 1932, still held some 43,370,000 baht coins or about 19,098,000 fine ounces. Whether the Finance Minister will exercise his legal prerogatives and sell the remaining silver is not known. At any rate, there seems to be no likelihood that Siam will in the near future increase the monetary use of silver.

STRAITS SETTLEMENTS

(On January 11, 1933 one Straits dollar = \$0.3894)

An Analysis of Colony Finances Straits Settlements*

The Finance and Investment Division has received Consular Report No. 58376 from Vice Consul Edward Anderson, Jr., Singapore, dated November 8, 1932, on the above subject, and will be glad to loan it to interested parties for a limited period.

Monetary Use of Silver in British Malaya (Based on a report from Trade Commissioner Frank S. Williams, Singapore)

Since British Malaya is on the sterling-exchange standard, there is no connection between the price of silver and the exchange value of the Straits Settlements silver dollar. The dollar and half-dollar coins are unlimited legal tender, other silver coins — the 20-, 10-, and 5-cent pieces — all being subsidiary. The silver currency is kept exchangeable for Straits Settlements notes, and vice versa, the note issue being secured by a minimum silver-dollar reserve of 10 per cent.

While there is no legal limit to the amount of silver coins which may be issued, coinage is restricted to the requirements of trade. With the increasing business depression and the greater popularity of paper money, Straits silver currency in circulation has been decreasing. The gross circulation of S\$1.00 and S\$0.50 pieces in September, 1929, was over S\$6,415,000, but two years later was not quite S\$4,397,000. Silver one-dollar and half-dollar pieces in the currency guaranty fund in September, 1932, exceeded S\$19,176,000. This was considerably in excess of the required 10 per cent reserve, the total note issue being about S\$68,000,000. There is thus no likelihood of coinage of silver for the Straits Settlements in the near future.

SYRIA

(One Syrian pound equals 20 French francs or
on January 11, 1933 = approximately \$0.78)

Monetary Use of Silver in Syria (Based on a Report from Commercial Attache C. Dickerson, Jr.
Cairo, 12/12/32)

Syrian silver coinage is limited to the value of 1,250,000 Syrian pounds, according to a decree of April 16, 1929. As of October 10, 1932, the circulation of Syrian silver coins was approximately 1,250,000 Syrian pounds. It is estimated that there are in circulation in Syria old Turkish silver coins to the value of 4,000,000 Syrian pounds. The Turkish coins circulate at their bullion value. No decree authorizing expansion of the silver coinage is in prospect. On the other hand, it is not unlikely that the circulation of the Turkish silver coins will be forbidden sooner or later.

TURKEY

(One Turkish pound = approximately 12.06 French
francs or on January 11, 1933 = \$0.4703)

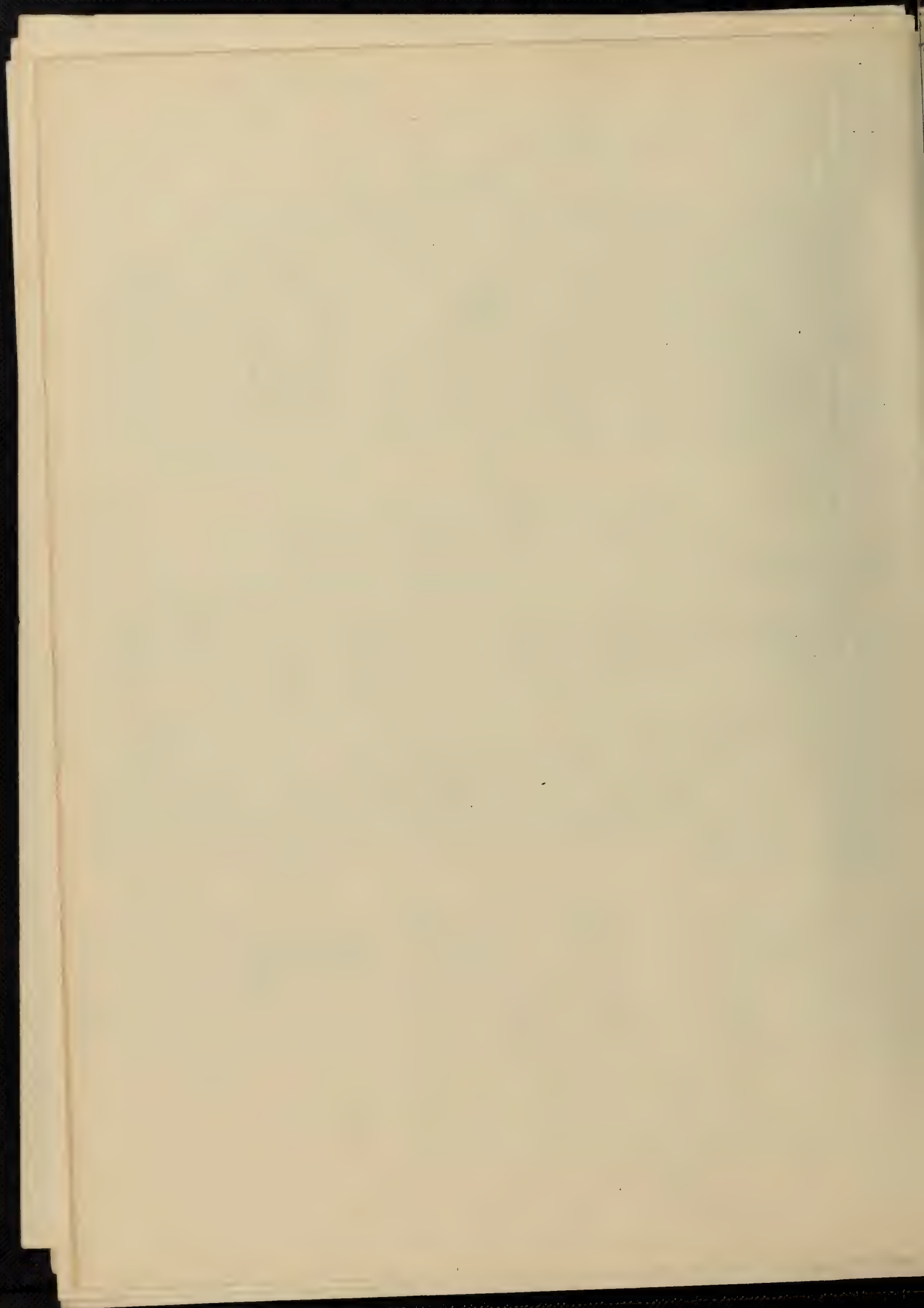
Exchange Control Tightened (Assistant Trade Commissioner H. Stebbins, Istanbul, 12/3/32)

A law has recently been passed designed to keep in Turkey the proceeds of Turkish exports. Heretofore, the proceeds of export sales were not covered by any regulations. Exporters may deposit their exchange in the State Bank, or sell it on the local market, but they may not dispose of it abroad except under specially prescribed conditions.

Monetary Use of Silver in Turkey (Based on report from Commercial Attache Julian Gillespie,
Istanbul, 12/6/32)

No silver coins have been minted in Turkey under the Republic and none are at present in general circulation. Old Turkish coins are accepted by banks and money changers at their bullion value, only. Actually, the old Ottoman currency regulations as applying to silver are still "on the books," but in practice silver coins are now accepted in payment of taxes or customs dues. So far as is known, no legislation affecting the monetary use of silver in Turkey is contemplated.

GROSVENOR M. JONES,
Chief, Finance and Investment Division.



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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

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Note: In giving quotations or summaries from foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein.

Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

Past Publications Available

There are on hand a number of copies of the following publications of this Division, obtainable at the prices mentioned from the Superintendent of Documents, Government Printing Office, Washington, D. C.

Trade Information Bulletins:

- No. 775 - Financial Developments in Latin America in 1930
 - No. 792 - Recent Trends in Canadian Foreign Exchange
 - No. 802 - American Underwriting of Foreign Securities in 1931
 - No. 803 - Balance of International Payments of U. S. in 1931
 - No. 810* - Financial Developments in Latin America during 1931
- (Each of the above sell at 10 cents per copy, except No. 803 which is free.)

Trade Promotion Series:

- No. 104 - Handbook on American Underwriting of Foreign Securities (25 cents)
- No. 116 - Japanese Banking (50 cents)
- No. 139 - The Silver Market (10 cents)

AUSTRALIA

(On February 24, 1933 on Australian pound = \$2.7088)

Commonwealth Finances Found Improving (Trade Commissioner E. C. Squire, Sydney, 1/19/33)

Commonwealth accounts for the first six months of 1932-33 as compared with the first half of the preceding year show an improvement of \$4,440,000. Revenue increased £3,950,000, customs and excise receipts showing an increase of about £3,000,000.

The Banks' London Balances Hold up Well (Same source)

Funds held in London are approximately the same as a year ago, when imports were very much smaller. The balances in London, merchandise imports, and exchange are being watched very carefully by the Federal Government and the banks. It is thought, however, that exports and balances in London will be sufficient to take care of Government and trade needs.

CHINA

(On February 24, Shanghai tael = \$0.2875; 1 yuan = \$0.20375)

China's Foreign Debt (Finance and Commerce, 1/11/33)

China's foreign debt no longer includes the Anglo-German loan of 1896, the last outstanding installment of \$920,900 having been refunded in March, 1932.

Regarding the loans secured on the salt gabelle, interest on the Anglo-French and the Crisp loans is not in arrears. On the first mentioned loan one capital payment of £250,000 is overdue.

No redemption has been effected on those of China's foreign loans having only nominal security, nor has the interest service been attended to. The position of the loans under the Ministry of Finance, so far as principal outstanding is concerned, can be gleaned from the following comparative figures:

Secured on Customs

Jan. 1, 1933	£29,411,205 and U. S. \$42,093,600
Jan. 1, 1932	£31,188,045 and U. S. \$43,478,200

Secured on Salt

Jan. 1, 1933	£11,971,017 and yen 45,478,400
Jan. 1, 1932	£12,220,947 and yen 45,478,400

Secured nominally

Jan. 1, 1933	£8,669,246 and frs. 100,000,000 and U. S. \$11,000,000
Jan. 1, 1932	£8,669,246 and frs. 100,000,000 and U. S. \$11,000,000

In the above figures no account has been taken of the still unliquidated portions of the Boxer indemnities, the exact status of which was given in Finance and Commerce in January, 1932. There was a change in 1932, namely, the postponement for one year of the installments due in 1932 on the part of Great Britain, the United States, and the Netherlands. This change results in a postponement of the final payment of the Boxer indemnity installment to the United States and Great Britain in 1946 (instead of 1945), while the final share due to the Netherlands will become payable in 1941 instead of in 1940. (This issue of Finance and Commerce features a complete and up-to-date table of China's foreign railway loans.)

Chinese Pay Interest on American Wheat Loan (China Weekly Review, 1/14/33)

The Chinese Government on January 9 made its regular interest payment in Chicago on the loan that financed the shipment of wheat to China in 1931. The wheat was purchased from the Grain Stabilization Board which said that China had an unbroken record in making the payments in full as they fell due.

Exchange on Shanghai

In its daily release to the press the Federal Reserve Board no longer includes the rate of exchange for Shanghai taels. If there is any demand for those rates from the readers of this bulletin, the Finance and Investment Division will be glad to obtain such rates and publish them in future issues of Far Eastern Financial Notes.

Branch of Overseas-Chinese Bank Opened in Shanghai (China Weekly Review, 1/21/33)

The Overseas-Chinese Banking Corporation (Ltd.), a company incorporated in the Straits Settlements, has opened in Shanghai as successor to the Ho Hong Bank (Ltd.), as a result of an amalgamation.

Imports of Silver Bullion into Shanghai from Foreign Countries During December 1932 (Consul Richard P. Butrick, Shanghai, 1/23/33)

Silver bullion imported into Shanghai during December, 1932 was as follows: From the United States, 3,825,701 ounces; Hong Kong, 4,108,000 (including 3,476,000 ounces of "cut" coins); Great Britain, 2,372,696; Straits Settlements and Federated Malay States, 15,083; and Canada, 448,087 ounces.

Silver Stocks and Exchange (China Monthly Trade Report, 1/1/33)

There has been a steadily greater concentration of silver in Shanghai during the past year. On December 31, 1931, silver stocks in Chinese and foreign banks in Shanghai in sycee, dollars, and bars were equivalent to 276,000,000 Chinese silver yuan. By December 31, 1932, this figure had risen to 443,000,000. This does not take into consideration silver in daily circulation or otherwise held. In fact, financial experts have recently stated a figure of half a billion dollars as representing the quantity held at Shanghai at present. The heavy concentration of silver in Shanghai is due in part to a greater circulation of paper currency up-country secured on Shanghai deposits, to the greater circulation of paper currency in Shanghai, to further migration of well-to-do Chinese from bandit or communist-infested districts of Central China to the better security of Shanghai, to the lack of normal movements of silver into the interior for the purpose of buying up produce for export, to the abnormal credit restrictions which have obtained throughout the year, to the expansion in industry at Shanghai, and to the lack of confidence in investment in a large way in localities far removed from this comparatively safe area. Silver has shown almost a continuous weakening tendency throughout the year in terms of gold and this continues to hamper import trade from the United States. A rough calculation of the average exchange at Shanghai of the two units of currency in which business is mainly transacted, viz. the Shanghai tael and the Chinese silver yuan, for telegraphic transfer drafts on New York was as follows:

	Shanghai taels	Chinese silver dollars
1932	value in U. S. currency	value in U. S. currency
January	\$0.3235	\$0.2315
February	.3275	.239
March	.325	.234
April	.31	.2179
May	.2975	.21
June	.30	.21
July	.29	.20
August	.305625	.21
September	.30625	.213
October	.2975	.2114
November	.285	.20625
December	.27	.19266
Average for year	.303156	.21464

Canton Currency and Silver Shipments (China Monthly Trade Report, 1/1/33)

Because of its higher silver content and greater demand for exchange transactions the Hong Kong silver dollar commands a premium in Canton. Owing to China's acute political problems, the Canton dollar declined during the first part of 1932, to the rate of one dollar forty-one cents Canton for one dollar Hong Kong. Silver speculators at this rate found it profitable to mutilate the Canton silver 20-cent pieces and ship them to the Shanghai bullion market. It is estimated that over 30,000,000 yuan Canton currency, or about 16 per cent of Kwangtung's minted coinage, was shipped north the first quarter of 1932, before the authorities placed an embargo on the exportation of silver. The Hong Kong dollar declined steadily during the year, the New York selling rate high point being 25-1/4 cents.

EGYPT

(One Egyptian pound = 102½ times pound sterling, or on Feb. 24, 1933 = approximately \$3.49)

Egyptian Savings Bank Progress (The Near East and India, 1/12/33)

The report of M. M. Sharara, Postmaster-General in Egypt, on the Savings Bank service in 1931, shows that, despite adverse conditions, there was a remarkable development during the period. There were nearly 30,000 new depositors and there was an increase in the credit balance of £E151,887. This satisfactory progress was continued last year, and it was anticipated that by the end of 1932 the credit balance would reach 3,000,000 pounds. It is pointed out that the deposits would have been much larger, but for the rule restricting deposits to £E50 a year with a general maximum of £E200, and the hope is expressed that the proposed law abolishing the annual limit and raising the general maximum to £E500 will be promulgated shortly.

HEDJAZ

Hedjaz Government Prolongs its Debt Moratorium*

A report of this subject, dated January 28, 1933, from Commercial Attache Charles E. Dickerson, Jr., is available in the Finance and Investment Division.

INDIA

(On February 24, 1933 one rupee = \$0.2575)

Imports of Silver at Bombay, India, During December, 1932 (Consul Dayle C. McDonough, Bombay, 1/17/33)

According to statistics furnished by the collector of customs, imports of silver during December consisted of the following:

	<u>Ounces</u>	<u>Rupees</u>	<u>Dollars</u>
Bar silver	2,708	3,473	868
Government of India rupees	147,570	397,100	99,275
Other coins	95	129	32
Total	150,373	400,702	100,175

Bombay Bullion Market (Trade Commissioner George C. Howard, Calcutta, 1/26/33)

The Bombay gold market was steady during the week ended January 20, with little business transacted. The daily offtake continued to be poor at 2,000 tolas, with stocks at 200,000 tolas. Total imports during the week amounted to 60,416 rupees in bar and coin.

The Bombay silver market was steady, following advices from London and Shanghai, and the daily offtake improved to 100 bars a day. Stocks amount to 7,900 bars. Imports during the week were valued at 196,146 rupees in coin. (One tola = 3/8 ounce troy.)

India's Financial Position at End of 1932 (Vice Consul F. Russell Engdahl, Calcutta, 1/19/33)

The financial position of the Government of India is strong at this time and prices of governmental securities have shown considerable improvement over those prevailing a year ago. The Government has been able to borrow money at extremely low rates of interest and loans have been uniformly oversubscribed. This is in keeping with the world-wide tendency of a strong demand for gilt-edge securities as against industrial issues. Prevailing interest rates are extremely low.

An Indian View of Gold (Finance and Commerce, 1/18/33)

At the annual meeting of the Bombay Bullion Exchange, Mr. Chunilal B. Mehta, the head Mehta, the head of the well-known firm of cotton and bullion brokers of the same name, left no doubt as to his views regarding the necessity of a return to the gold standard. The change in ratio between gold and note issue after the war, he said, explains how the real functional value of gold came to be minimized. If the present crisis has taught anything to students of monetary science, it is that gold and gold alone can be the ultimate measure of international prices, and the greater the attempt made to flout this fact the greater will be the difficulties.

Banks Issue 1932 Reports (Trade Commissioner J. Barrett Richards, Calcutta, 1/19/32)

The Imperial Bank has announced a profit of 3,695,000 rupees for the six months in spite of acute trade depression and the low bank rate. The Central Bank announces a profit of 1,432,000 rupees for the six months. Bank shares generally have been strong.

Currency Position on December 31, 1932 (Vice Consul F. Russell Engdahl, Calcutta, 1/19/33)

On December 31, 1932, notes in circulation were 1,748,008,000 rupees, as compared with 1,793,031,000 rupees at the previous year-end. The reserve on December 31, 1932, was as follows: Silver coin, 978,295,000 rupees; gold bullion, 186,774,000 rupees; silver bullion, 128,341,000 rupees; total securities, 454,598,000 rupees. The percentage of metallic reserve to circulation was 73.99 as against 72.14 per cent on December 31, 1931. There was a decline in the reserve of silver coin during the year; that reserve on December 31, 1931, standing at 1,150,442,000 rupees. On the other hand, the gold bullion reserve, which amounted to only 45,645,000 rupees at the end of 1931, was over four times as large at the close of 1932.

As is explained in The Silver Market,* the return of rupees from circulation during 1929-1931 was in part connected with the transfer of capital from India to foreign countries, either to settle the trade balance or for investment. There was thus a heavier demand for foreign exchange than normal and a consequent contraction of currency. In connection with

* Trade Promotion Series No. 139, obtainable at 10 cents from the Superintendent of Documents, Government Printing Office, Washington, D. C.

this situation, the transfer of gold from the paper-currency reserve in India to the gold-standard reserve there (as substitute for sterling securities released from the gold-standard fund in London to support the rupee) resulted in contraction of the note issue.

Latterly, the movement of rupees has been altered from that of a "return from circulation" to one of "absorption in circulation," in connection with which movement gold has been taken out of hoards and sold for rupees. The following table shows the changes in rupee value of the stock of gold held in the paper-currency reserve of India recently (in thousands of rupees):

<u>Date</u>	<u>Gold</u>	<u>Silver rupees</u>	<u>Securities held</u>		<u>Total note circulation</u>
			<u>Silver bullion</u>	<u>(at purchase price)</u>	
October 31, 1932	115,298	1,020,601	128,604	493,999	1,758,503
November 30, 1932	117,538	1,004,852	124,763	509,155	1,756,309
December 31, 1932	186,774	978,295	128,341	454,598	1,748,008
January 7, 1933	254,468	977,854	129,053	387,019	1,748,393
January 22, 1933	254,468	996,493	134,473	387,375	1,742,809
Net change	+139,170	-24,108	+5,869	-106,624	-15,694

It will be noted that the increase in gold occurred chiefly in December and early January, and that the principal decrease occurred in securities on hand.

Loan a Success; Conversion Loan Next Step* (Trade Commissioner George C. Howard, Calcutta, 1/26/33)

The outstanding feature has been the remarkable success of the new 4 per cent loan, which was oversubscribed within an hour of opening. The 150,000,000 rupees required were subscribed in the form of treasury bills, all cash applications being rejected. Very shortly thereafter the Government announced its new conversion loan. It was expected that sooner or later such a loan would be floated but that it is coming so soon has surprised the market. Holders of 1929-1947, 1933, and 1933-1936 bonds are given the opportunity of converting their holdings into 4 per cent 1960-70's at 93 with a cash bonus of 8 annas per 100 rupees in the case of 1929-47's and 1 rupee 8 annas per 100 rupees on the 1933's and 1933-1936's. (16 annas = one rupee.) These bonuses correspond very closely with the present market premium on the issues in question. Subscriptions will be received during the entire month of February. Any bond of the 5 per cent 1929-1947 issue not previously converted will be repaid May 15, 1933, and any unconverted 1933-1936 bond on August 15, 1933.

India's Gold Exports (Trade Commissioner J. Barrett Richards, Calcutta, 1/19/33)

Gold exports during the week ended January 14 amounted to 19,854,040 rupees of which 9,067,529 rupees went by the Dollar Line boat, President Monroe. Total gold exports since Great Britain went off the gold standard have amounted to 1,078,165,208 rupees.

New Loan Expected to Sell Easily (Same source)

With large maturities of Treasury bills coming on (250,000,000 rupees within the next month) the supply of funds on the market should be ample and a good response is anticipated to the new loan just announced. The new loan is for 150,000,000 rupees, the proceeds to be used to meet maturing Treasury bills, reduce the floating debt and take advantage of the present favorable monetary conditions. It bears 4 per cent interest and will be offered at 98, indicating continued improvement in Indian credit as well as a more favorable money market.

Bombay Silver Market (Same source)

Silver continues steady with "ready" advancing to 51 rupees per 100 tolas. (One tola = 3/8 oz.) This quotation is still about 4 rupees under the import parity, however, so imports are unlikely in the near future. "Upcountry" demand is a little better, the "offtake" averaging 70 bars a day. Stocks in Bombay amount to about 8,500 bars.

Indian Treasury's Silver Stocks

The currency statement for January 25, 1933, shows a note circulation of over 1,742,800-000 rupees. The metallic reserve, held entirely in India, was as follows:

	<u>Rupees</u>
Silver coin	966,493,000
Silver bullion	<u>134,473,000</u>
Total silver	1,100,966,000
Gold bullion	<u>254,468,000</u>
Total reserve	1,355,434,000

The stock of silver was equivalent to approximately 378,457,000 fine ounces.

JAPAN

(On February 24, 1933 one yen = \$0.2023)

Excerpts from Speech of Finance Minister Takahashi at the Opening Session of the 63rd Diet on January 21, 1933 (Commercial Attache Halleck A. Butts, Tokyo, 1/24/33)

"Compared with the figures in the budget of the preceding fiscal year.....ordinary revenues are increased 7,000,000 yen, and extraordinary revenues 288,200,000 yen. Ordinary expenditures are increased 149,100,000 yen, and extraordinary 146,000,000 yen. Decreases of 2,000,000 yen in inheritance tax and 15,500,000 yen in customs duties are expected. Increases of 6,900,000 yen in income tax, 3,700,000 yen in business profit tax, 3,900,000 yen in liquor tax, and 2,100,000 yen in sugar tax are anticipated.

"We have abstained as far as possible from appropriating new expenditures except for the Manchurian affair, improvement of military and naval armaments, emergency relief measures, and exchange losses.

"The fall in exchange has resulted in higher internal commodity prices, but at the same time, in more than proportionately lower external prices of our export goods, with the benefit of promoting our exports and cultivating new markets.....It must not be overlooked, however, that these results are accompanied by unfavorable effects. Not only is the amount of the exchange loss to be borne by the Government considerably increased, but a heavy burden is also imposed on those others having foreign borrowings.

"As decidedly lower rates than the actual trade conditions justify may cause widespread undesirable effects, we have decided to propose a bill relative to the control of foreign exchange, with the aim of minimizing fluctuations.

"The appropriations for the Manchurian affair total 190,800,000 yen.

"The expenditures for the improvement of military and naval armaments totaled 209,900,000 yen. Emergency relief measures totaled 207,000,000 yen. Expenditures resulting from fallen foreign exchange total 88,000,000 yen.

"The national loans to be issued during the coming fiscal year are as follows: (In millions of yen).

<u>General Accounts</u>		<u>Special Accounts</u>	
Earthquake	18.7	Chosen Government	32.9
Road construction	16.6	Taiwan "	5.0
Telephone	13.2	Karafuto "	3.5
Telegraph	.7	Kwantung "	3.2
Manchurian affair	186.3	Government Railways	<u>43.0</u>
Budget deficit	<u>659.4</u>		
	895.2*	Total	92.7*
			<u>895.2</u>
		Grand total	987.9*

* Because of the abbreviation of the items, there is a slight discrepancy in the summations.

"The manner in which these loans are to be issued depends upon monetary conditions in the future. Our general policy is, as it has been during 1932-33, to have them absorbed by the Bank of Japan in the first instance, and to be disposed of at its discretion in accordance with money market conditions.

"The Government does not hold that the present deficit in revenues is of a permanent nature, to be continuing in future fiscal years. One of the principal causes of the present large deficit is the decrease in ordinary revenues, as shown by a decrease of tax revenues of 224,000,000 yen in the budget for the fiscal year 1933-34." (Evidently Mr. Takahashi was comparing the ordinary revenues estimated for the next fiscal year with the ordinary revenues collected in the peak year of 1928-29. Ordinary revenues in that year were 915,909,581 yen, whereas, estimated revenues for the next fiscal year are 706,006,874.)

"It is evident, however, that the national revenues will gradually increase with the future recovery of business."

The Diet Hears About Inflation (Trans-Pacific, 2/2/33)

Questioned about Japan's inflation policy by Mr. Koyama (a member of the Diet), the Finance Minister said that it is wrong to consider that he puts sole reliance on inflation. The Government, he went on, is taking steps to counteract the evil effect of inflation. In regard to an increase in taxes, he said that he did not disfavor the idea. His position was that the time is not ripe for increased taxation. In order to show that his optimism was not uncalled for, he pointed to the improvement in the exchange situation. He concluded by saying that foreign countries are beginning to appreciate the real financial strength of Japan.

General Araki Speaks for a Strong Army (Same source)

In the Diet on January 26, in reply to questioning, General Araki stated that his policy is to make the Japanese army as efficient as the army of any Western power. To this end, he intended to perfect equipment by mobilizing all industrial resources in the country. The original plan of the army called for an outlay of 530,000,000 yen. This had to be slashed to the present figure in accordance with the wishes of the Government.

Bank Gives Total of Debts Abroad (Trans-Pacific, 2/2/33)

Japan's total foreign debts comprising debts of the central Government and cities and corporate debentures, at the end of 1932, amounted to 1,896,920,664 yen, for which annual interest of 114,102,076 yen is paid, according to the Bank of Japan.

Note Issues at the end of December, 1932 (Commercial Attache Halleck A. Butts, Tokyo, 1/19/33)

The outstanding note issue on December 31, 1932, as officially reported by the Department of Finance, Tokyo, was as follows:

	Yen
Bank of Japan notes outstanding	1,373,619,005
Bank of Chosen notes outstanding	124,622,525
Bank of Taiwan notes outstanding	52,619,531
Government small notes outstanding	11,380,000
	<hr/>
Total	1,562,241,061

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 52,539,952 yen on December 31, 1932.

Now 538 Commercial Banks in Japan (Same source, 1/23/33)

The Finance Department, in advising the completion of the program for the readjustment of banks, states that there are now 538 commercial banks as compared with 1,283 at the close of 1927. The total capital at present is 1,910,460,000 yen, an average of 3,551,000 yen per bank. The total capitalization on December 31, 1927, was 1,843,000,000 yen. There are now only 147 banks having a capitalization of less than 1,000,000 yen as against 817 in 1927.

The Interest of Japanese Bankers in Inflation (Trans-Pacific, 2/2/33)

Dr. Washio, writing on inflation in the Trans-Pacific of February 2, 1933, states that the sale by the Bank of Japan to Japanese banks of 90,000,000 yen of treasury certificates and considerable government bonds - an "open market operation from which the public was practically excluded was due more to the solicitation of bankers than to the Government's policy of currency control. And the bankers were solicitous because the inflationary issue of currency that began toward the end of last year brought into their hands unemployable capital they were glad to put into government bonds, which not only bear dependable interest but can be presented to the Bank of Japan as securities for loans. It has been reported that they were bought on the condition that the Bank of Japan shall buy back at the same price whenever wanted.....

"The primary interest that dictates open market operations is therefore not a case of checking a price advance and strengthening the exchange of the yen, but was in the interest of the bankers, who have invited inflation in the past and will work for it as long as it brings profit or saves them from losses. These bankers have been anxious to redeem their credits, which the deflationary policy of the late Mr. Inouye seriously threatened. Moreover, they are not only financiers but are often owners and managers of industrial interests besides."

Bond Issues and Prices (Trans-Pacific, 2/2/33)

Dr. S. Washio in a signed article calls attention to the fact that the bond issues of approximately 1,000,000,000 yen to be issued in 1932-33 are exclusive of about 400,000,000 yen authorized and unissued during 1931-32. He adds: "There may be a greater budgetary inflation in view by the time the budget for 1934 is framed. There are several obvious reasons for this apprehension. One is that the interest on 1,000,000,000 yen, which is scarcely counted for in 1933, has to be counted up in full for 1934. Another is that greater rural relief may be demanded."

Japan Seeks Gold in Vessel Sunk in Straits Waters (Same source)

A salvage enterprise is to seek gold in the wreck of a Russian cruiser sunk at Penang in 1914, according to Mr. Masaji Hosaka of the Nichi Nichi.

Gold Sought in Manchuria (Same source)

According to Dr. G. Kuraishi of Kyoto University, at least 3,800 tons of gold, which would be worth approximately \$2,500,000,000, or 12,500,000,000 yen at present exchange, are waiting in the basins at the lower reaches of the Amur and Sungari rivers in North Manchuria to be added to the coffers of Japan..... The authorities, he said on arrival in Moji, presumably meaning the authorities of the Kwantung army, are thinking of getting together a group of 200 investigators, supported by the army, to look into the prospects. Dr. Kuraishi credits his estimate of the amount of gold to a Russian expert in Harbin, who is said to have made an investigation.

Tokyo Electric Passes Dividend (Commercial Attache Halleck A. Butts, Tokyo, 1/2/33)

The Tokyo Electric Light and Power Co. has announced that it will have to pass its dividend, due to interest payments abroad which will require the payment of 18,700,000 yen.

NETHERLAND INDIA

Budget of Netherland India for 1933*

The Finance and Investment Division has received a report from Trade Commissioner Richard P. Hendren, Batavia, dated January 16, 1933, on the above subject.

NEW ZEALAND

(On February 24, 1933, one New Zealand Pound = \$2.7163)

The Lowering of the Value of the New Zealand Pound (Trade Commissioner Julian B. Foster, Wellington, 1/21/33)

The most important occurrence in New Zealand since the depreciation of sterling began in September, 1931, was the announcement by the Government that the exchange rate New Zealand-on-London would be increased from £110 to £125. This has been expected for a long time, although practically all commercial interests in the cities have fought it tooth and nail, as have also the banks, excluding the Bank of New South Wales. The farming element in New Zealand is powerful and the present cabinet, by reason of the resignation of the Minister of Finance in protest of the Government's action in raising the exchange rate, is composed entirely of farmers. Naturally, it leans toward the agricultural community, and it increased the exchange rate by means of an order-in-council. The order will have to be ratified by Parliament, insofar as the indemnification of banks for losses on exchange is concerned.

The rise in exchange will, it is believed, benefit principally the stock and station agents who hold farm mortgages. The new rate will mean an increase in the prices of all imports, and the cost of living must go up. Many small importers will probably become bankrupt.

American business will not suffer to the same extent as British and Canadian trade, for New Zealand purchases of American goods at the moment are practically limited to necessities and goods which can not be bought from other countries.

How long the exchange rate will continue at 25 per cent is a moot question, for nearly 50 per cent of the country appears to be opposed to it. Freights, shipping charges, passenger tickets, etc., have already been increased by the steamship companies, as have prices of such goods as fencing wire, steel, and hardware. The new exchange rate will this year probably cause a contraction in imports of from £3,000,000 to £4,000,000. Exports will naturally tend to increase, but all the Government and local-body debt charges overseas will be raised.

New Zealand Banking Returns for December Quarter, 1932*

The Finance and Investment Division has received the above report from Trade Commissioner Julian B. Foster, Wellington, dated January 21, 1933.

Additional Tax Imposed on Export of Gold (Cablegram from the trade commissioner's office, Wellington, 2/10/33)

Effective February 9, the New Zealand Government imposed a tax of 12s. 6d. per troy ounce on the export of gold, in addition to existing export duties of various amounts, ranging from 6d. to 2s. 6d. per troy ounce.

SYRIA

(One Syrian pound = 20 French francs or on Feb. 24 = \$0.79)

Syrian Currency Statistics (Vice Consul Daniel Gandin, Jr., Beirut, 1/20/33)

On December 31, 1932, the currency reserve and circulation were as follows:

	<u>Syrian pounds</u>
Gold coin and bullion	495,000
French bonds and securities	1,115,976
Compulsory deposit at the French treasury	3,700,000
Optional deposit at the French treasury	9,537
Deposit at the Banque de France	5,779,487
Total	11,100,000

This approximates the 11,425,000 Syrian pounds outstanding on December 31, 1931, the slight change having no special significance.

During 1932 a decrease in the use of gold became evident, indicating that Syrians in the interior are gradually developing more confidence in paper money.

Far Eastern Financial Notes No. 129--12.

TURKEY

(One Turkish pound = approximately \$0.47, 3/16)

Loan is Authorized (Minister Charles H. Sherrill, Ankara, 1/15/33)

Yesterday the Grand National Assembly voted a law approving appropriations for the Ministries of Justice, National Economy, Public Works, and Agriculture, also for a large prison, and for the Court of Cassation, which is being removed to Ankara from Eskischir. The Ministry of Finance is authorized to advance a loan of a million Turkish pounds for the construction of other prisons throughout the country. The Emlak Bank (State Bank) will make the loan.

GROSVENOR M. JONES,

Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 130.

March 19, 1933.

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Note: In giving quotations or summaries from foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein.

Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

Commerce Yearbook, 1932 -- Vol. II - Foreign Countries.

The above volume is now available. It is the official sourcebook of foreign market data, containing the latest available statistics on industry, trade, communications, and finance in 75 foreign countries and economic surveys of individual markets.

It is durably bound, has 740 pages, maps, charts, tables, etc. This volume sells for \$1.25 a copy. Copies are obtainable from branch offices of the Bureau of Foreign and Domestic Commerce or from the Superintendent of Documents, Washington, D. C. Remittances should be made payable to the Superintendent of Documents.

AUSTRALIA

(On March 3 one Australian pound = \$2.749)

Australian Economic Affairs (Australasian Insurance and Banking Record, 1/21/33)

During the past year some improvement has taken place in the position of business in Australia, accompanied by a more buoyant state of the Commonwealth revenue from customs duties. The latter movement follows the revival in imports which for the five months ended November 30 show an increase of over £8,000,000 (British currency) as compared with the corresponding period of the previous financial year. Retail trade has shown more activity than at a year ago, and in various ways there have been indications that those who have the money available have been more ready to spend it. One reason for the improvement is to be found in the political changes which have removed the apprehensions previously entertained. Another reason is the favorable character of the seasons, resulting in a large volume of production and exports, a fair amount of money thus being received by primary producers, even at the present low level of prices. This, of course, is subject to the qualification that a gross value of production is much less profitable when present costs are taken into account than if costs were only on the scale of 20 years ago.

It is now some years since the reaction set in, and the question which presents itself is whether adequate measures have even yet been adopted in order to place Australian affairs on a completely sound basis. With a reduced national income, the obvious requirement was economy, both public and private. As regards private individuals this has been largely carried into effect. As regards public finance, however, there has been reluctance to face the position adequately.

Although borrowing has lately been on a smaller scale than a few years ago, there has still been a fairly substantial increase in public debts. The total for the Commonwealth and States has risen from £1,104,028,062 at June 30, 1929, to £1,187,827,868 at June 30, 1932, showing an increase of £83,799,806 in three years, these figures including treasury bills. The total at September 30, 1932, has risen to £1,190,300,444, as shown in the Commonwealth "Gazette" of November 10. The recent internal loan means a further increase in the sum total, after allowing for what is applied toward repayment of existing debt.

Loan Council Seeks Aid; Treasury Bills Outstanding (Trade Commissioner E. C. Squire, Sydney, 2/6/33)

The final agreement of the Loan Council with the Commonwealth Bank has been given considerable prominence in the Australian press. The Loan Council wished to obtain funds from the Commonwealth Bank on treasury bills, to cover probable deficits during the year, and, in particular, to continue public works. The Loan Council first asked for £6,000,000. The Commonwealth Bank, undoubtedly concerned at the great growth of treasury bills, offered only £3,000,000. Through an agreement, the Bank will supply against treasury bills £4,000,000 for the remainder of this fiscal year, but it is understood that funds for future public works will be obtained through loan flotations. Of the total treasury bills outstanding, those held in Australia amount to £54,000,000 and those in London £32,000,000.

Bank Deposits and Advances (Australasian Insurance and Banking Record, 1/21/33)

The quarterly average banking returns to December 31, 1932, are now in course of publication. Setting aside New Zealand, the deposits of the ordinary banks in the four Australian States show a net increase of £5,861,941 on the year, and advances and securities a net increase of £14,404,918. The latter movement includes the treasury bills taken up by the banks in supporting public finance, Commonwealth and State, while ordinary advances to customers continue to be affected by the contraction in business of late years and the lack of enterprise. The movements shown by deposit in the various States represent some cross currents due partly to the shifting of funds from New South Wales to Victoria and elsewhere prior to the change of Government in New South Wales, followed during the second half of the year by a reverse tendency. Comparing fixed deposits alone in the June quarter and the December quarter, an interval of six months, the Victorian figures show a reduction of £6,398,959, but New South Wales an increase of £3,071,763. In New Zealand the ordinary advances of the banks have declined, but public securities have increased by £4,000,000 during the year under the operation of the treasury bill system of financing.

Australia Ships Gold to England (Samuel Montagu and Co., Weekly Review of Foreign Exchanges, 2/9/33)

A gold shipment of £1,000,000 sterling, leaving Sydney by the S. S. Cathay this week, is understood to relate to the recently allowed powers of the Commonwealth Bank to convert gold reserve into sterling securities.

Sydney Harbor Trust's Favorable Statement (Trade Commissioner E. C. Squire, Sydney, 1/25/33)

The Sydney Harbor Trust, which has had a difficult time financially in recent years, announced that, owing to large wheat shipments and increased traffic generally, its finances show a decided improvement. For the six months ended December 31, 1932, inward wharfage collections accounted for £201,796, as compared with £161,913, and those for outward wharfage amounted to £76,076, as against £74,694 for the corresponding period of 1931. There was thus a total increase in revenue from these sources of £41,607.

Official and "Black Bourse" Exchange Rates (Same source)

Exchange rates between Australia and London for the week ended January 21, 1933, were as follows:

T.T. official rate (buying): -

Spot and within 14 days	25 per cent premium
28 days	24½ " " "

"Outside" market

£25 2s. 6d. premium per £100

The tendency of the "outside" market is quiet.

Railway Revenues Better (Same source)

Railway revenue in both Victoria and New South Wales is showing an increase over the preceding year, the revenue received by the New South Wales railways in December, 1932, being £1,536,000 compared with £1,380,638 in December, 1931. In Victoria, the revenue received for the week ended January 14 amounted to £201,286 compared with £194,454 in the corresponding week of the previous year.

Metropolitan Water, Sewerage and Drainage Board Loan (Same source, 2/1/33)

The Metropolitan Water, Sewerage and Drainage Board of Sydney is floating a 4½ per cent £1,000,000 loan at 98, to mature in 15 years. The loan yields £4 8s. 8d. per £100, which is well above the yield on internally-floated governmental bonds. It now appears that this loan will be a success, about two-thirds having already been subscribed. It is said this loan carries a State guaranty, although it is not a trustee investment in Victoria.

Subsidies to Wheat Growers (Assistant Trade Commissioner H. P. Van Blarcom, Sydney, 2/1/33)

The Federal Government plans to make available approximately £2,000,000 to assist wheat growers. The Government of New South Wales is adding to its share of the amount granted by the Federal Government, so that New South Wales will have available altogether approximately £360,000.

CHINA

(On March 3, the yuan was quoted at \$0.205; the Shanghai tael was quoted at \$0.2894)

Hong Kong and Shanghai Banking Corporation Reviews 1932 Silver Market (Commercial Attache Julean Arnold, Shanghai, 3/4/33)

The Hong Kong and Shanghai Banking Corporation, in its annual report, notes less marked disturbances in the exchange and silver markets and refers to the subsiding of attempts to

promote international schemes for stabilizing the price of silver and to the drop of about 17 per cent in the mine production of that metal. There was a still heavier decline in the visible consumption of silver. China, the bank estimates, absorbed 40,000,000 ounces in 1932, against 57,000,000 ounces in 1931 while India absorbed 13,000,000 ounces and 62,000,000 ounces, respectively, in the same years. Thus, the two largest silver consumers decreased their annual silver consumption about 50 per cent, other countries of the world taking twice as much as these two countries took.

Text of Official Statement on Customs Revenue in 1932 (Charles A. Robertson, of the American Consulate, Shanghai, 1/30/33)

The Kuo Min News Agency released January 18, 1933, the following statement by Sir Frederick W. Maze, inspector general of customs, to Mr. T. V. Soong, Minister of Finance, concerning the customs revenue collections during 1932 covering the whole of China.

"The maritime customs revenue for 1932 amounted in round figures to 200,239,000 Haikwan taels (U. S. \$68,149,341). This compares with 246,087,000 Haikwan taels (U. S. \$87,032,837) collected in 1931, and represents a decrease of 45,848,000 Haikwan taels (U. S. \$15,603,908).

"The revenue contributed in 1932 by each category of duties to make up this total is as follows:

	<u>Haikwan taels</u>	<u>U. S. dollars</u>
Import duties	(a) 165,301,000	56,258,542
Export duties	19,008,000	6,469,183
Interport duties	13,191,000	4,489,425
Tonnage dues	2,739,000	932,191

(a) Customs gold units 139,849,000 (one customs gold unit equivalent to U. S. \$0.40).

"Of the total import duty collections assessed in terms of C.G.U. (customs gold units, one unit equal to 40 cents U. S. currency) and amounting to C.G.U. 139,849,000, the amount of C.G.U. 105,064,000 was collected in gold and the balance in silver according to ruling exchange rates.

"Owing to the seizure of the customs at Harbin, Lungchingsun, Antung, Dairen, and Newchang, the above statement does not include figures for the customs collections at these ports subsequent to June, 1932. This seizure, which obtained throughout more than half the year, reduced 1932 collections by about 15,000,000 Haikwan taels (U. S. \$5,105,000) and not even funds for loan service have been remitted out of subsequent collections.

The following table shows in round figures the collection for 1932 at the principal ports and the increase or decrease as compared with the figures for 1931:

<u>Port</u>	<u>Haikwan taels</u>	<u>Equivalent in</u>		<u>= Increase or - Decrease</u>	<u>Equivalent in</u>
		<u>U. S. \$</u>	<u>U. S. \$</u>		<u>U. S. \$</u>
Harbin	1,978,000	(a) 673,193		-3,311,000	1,126,866
Antung	1,817,000	(a) 618,398		-1,880,000	639,839
Dairen	7,138,000	(a) 2,429,347		-5,377,000	1,830,008
Newchang	1,195,000	(a) 406,706		-2,604,000	886,245
Tientsin	25,096,000	8,541,173		=1,666,000	567,006
Kiaochow	15,563,000	5,296,711		=4,090,000	1,391,991

Port	Haikwan taels	Equivalent in U. S. \$	= Increase or - Decrease		Equivalent in U. S. \$
			Haikwan taels		
Hankow	8,201,000	2,791,128	-1,370,000		466,266
Shanghai	92,181,000	31,372,882	-32,988,000		11,227,136
Amoy	4,209,000	1,432,491	-34,000		11,572
Swatow	5,725,000	1,948,447	=302,000		102,783
Canton	9,281,000	3,158,696	-1,874,000		637,797
Kowloon	5,587,000	1,901,480	=199,000		67,728

(a) January to June only.

"All foreign and domestic loan and indemnity obligations secured on the customs revenue, including the service of the Reorganization Loan, have been met in full. The cost of the service of the above obligations was as follows: 38,815,996 customs gold units (Shanghai taels 50,845,806) plus 19,746,702 Shanghai taels; or if calculated on an entirely silver basis, 70,592,508, Shanghai taels (U. S. \$21,566,011) as compared with 119,813,009 Shanghai taels (U. S. \$38,404,630) for 1931. (The bulk of China's foreign obligations being in sterling, the big decrease in the value of the pound sterling accounts for the much lower gold dollar value needed to pay this interest in 1932 compared with 1931.)

"Provision was also made in full during the year for the service of all internal loans secured on the customs revenue. From the month of February, 1932, such provision, in accordance with the terms of the Government's mandate of February 24, 1932, has taken the form of a fixed monthly payment of 8,600,000 yuan (U. S. \$1,892,000) from customs revenue to the account of the National Loans Sinking Fund Administrative Commission."

Revenues in Customs Gold Units During 1932 (Finance and Commerce, 1/25/33)

According to the customs, "Of the total import duty collection assessed in terms of customs gold units and amounting to 139,849,000 customs gold units, the amount of 105,064,000 customs gold units was collected in gold and the balance in silver according to ruling exchange rates."

This statement is not quite free from ambiguity. What it means to infer is that in the various customhouses throughout the country the equivalent of 34,785,000 customs gold units has been paid to the customhouses direct in silver currency at the official rate of exchange proclaimed there. Nevertheless it remains true that the bulk of the remainder has been acquired by merchants from the Central Bank of China (the Customs depository) also against silver currency at rates of exchange which varied during the day and which were almost invariably higher than these quoted by the customhouse. The latter merely obtained and accepted a check drawn by the importer on the Central Bank in customs gold units, that is, in gold.

Revenue from China's Trade During 1932.. (Same source)

Although most importers will regard last year as one of the worst on record in China's foreign trade, the Government has little of which to complain so far as the net revenue obtained from that trade is concerned. In spite of a considerable falling off in volume and notwithstanding the loss of revenue from the Manchuria ports, estimated in round figures at 15,000,000 taels, they are actually better off than they were in 1931. Revenue was less by approximately 46,000,000 taels, but owing largely to the depreciation in sterling there was a saving of over 49,000,000 taels in the cost of loan service.

China began the year with something very much like a war being waged in her greatest trade center, found herself deprived in the summer of anticipated receipts from her three eastern provinces and finished the 12 months with further trouble brewing with Japan on her northern boundaries. Nevertheless, excepting the Boxer Indemnity payments to Great Britain and America, upon which a moratorium was granted, she has paid the loan and indemnity obligations secured on the customs, regularly and in full, and has met all other charges without recourse to borrowing. That is remarkable record for a period during which the commercial depression was at its most acute stage and is one which we venture to think few countries will be able to equal.

The decline in customs revenue is represented by a drop of 36,000,000 taels on import duties, 8,000,000 taels on exports, and 600,000 taels in tonnage dues but it must be borne in mind that the whole of the loss in China proper comes from Shanghai where, owing to the Japanese invasion, business was practically at a standstill for three months.

Hankow showed a decline in revenue of 1,370,000 taels, collections amounting to 8,201,000 taels in 1932 as compared with 9,560,000 taels, but as the city was the center of the great flood disaster and thousands of families in the district lost all their possessions, it would have been remarkable if trade had not shown considerable diminution.

The revenue from the export trade was reduced by approximately 20 per cent but here again the decline is due more to the absence of returns from the large exporting centers of Manchuria than to a general falling off in exports throughout China.

Canton-Hankow Railway (Finance and Commerce, p. 63, 1/25/33)

The best method of financing the construction work necessary to complete the Canton-Hankow Railway is now being discussed. The board of trustees of the British Boxer Indemnity Fund agreed sometime ago to advance the sum required, estimated at between £2,000,000 and £3,000,000 and it was provisionally arranged that half of this amount would be provided by the London purchasing committee from the accumulated funds at their disposal, for the supply of materials, and a half by the trustees. These advances, however, have to be regarded as investments, the interest from which will go in future to the endowment of education in China and it is the duty of the trustees to see that all their investments are adequately safeguarded. It is the security for the loans that is now being considered.

Manchukuo Central Bank Criticized by the Japanese (Commercial Attache Julean Arnold, Shanghai, 3/4/33)

The central bank of Manchuria is severely criticized by Japanese merchants because it is said to be competing with private buyers in the bean market.

Shanghai Power Company Transfers Municipal Mortgage to Hong Kong and Shanghai Banking Corporation (China Weekly Review 2/4/33)

The Hong Kong and Shanghai Banking Corporation announced January 31 that they have underwritten 33,000,000 taels, principal amount, of Shanghai Power Co. 5½ per cent first mortgage debentures. The bank has formed a syndicate composed of Hong Kong and Shanghai Banking Corporation, Chekiang Industrial Bank (Ltd.), International Savings Society, Benjamin and Potts, and Swan, Sulbertson and Fritz.

A total of 13,000,000 taels of these debentures have been privately placed and the balance of 15,000,000 taels will be offered to the public. (It will be noted that the figures do not add to the total shown above.)

These debentures will be offered at 96 taels and accrued interest for each 100 taels principal amount and will yield over 5.75 per cent. The funds thus raised are being used to pay off the balance due to the Shanghai Municipality, an agreement having been made with the Council to transfer the mortgage now held by the Municipality to the bank.

EGYPT

(On March 3 one Egyptian pound = approximately \$3.54)

Egyptian Pound Exchange Rates (Commercial Attache Charles E. Dickerson, jr., Cairo, 2/6/33)

The following are the buying and selling rates in Egyptian piasters for dollar sight drafts on New York as quoted by the Cairo branch of the American Express Co. from January 14 to 31, 1933, inclusive:

	<u>Buying</u>	<u>Selling</u>		<u>Buying</u>	<u>Selling</u>
January 14	28.60	29.00	January 24	28.50	28.85
16	28.60	29.00	25	28.30	28.70
17	28.60	29.00	26	28.30	28.70
18	28.60	29.00	27	28.35	28.75
19	28.60	29.00	28	28.40	28.80
20	28.70	29.10	29	28.40	28.80
21	28.60	29.00	30	28.35	28.75
22	28.55	28.90	31	28.35	28.75
23	28.55	28.90			

Currency Circulation in Egypt as of End of 1932 (Same source, 1/24/33)

Egyptian currency circulation on December 31 of the past three years has been as follows:

	<u>1930</u>	<u>1931</u>	<u>1932</u>
Bank notes of the National Bank of Egypt	£E20,973,000	£E19,538,000	£E18,751,000
Currency notes of the Egyptian Government	51,000	51,000	51,000
Total notes	21,024,000	19,589,000	18,802,000
Silver	4,741,000	4,252,000	4,158,000
Nickel	792,000	778,000	792,000
Bronze	34,000	35,000	37,000
Total coins	5,567,000	5,065,000	4,987,000

HONG KONG

(On March 3 one Hong Kong dollar = \$0.2259)

Banknotes in Circulation (Finance and Commerce, 1/25/33)

At the close of 1932 notes in circulation in Hong Kong amount to 153,612,000 Hong Kong dollars, an increase of 4,000,000 Hong Kong dollars over the preceding month, as per details herewith: (In Hong Kong dollars).

	<u>End of December</u>	<u>End of November</u>
Chartered Bank	21,059,000	20,492,000
Hong Kong Bank	130,223,000	126,202,000
Mercantile Bank	<u>2,330,000</u>	<u>2,649,000</u>
Total	153,612,000	149,343,000

INDIA

(On March 3 one rupee = \$0.2602)

Report on the Budget (Trade Commissioner George C. Howard, Calcutta, 3/3/33)

India's budget surplus for the present year is now estimated at 21,700,000 rupees. The new budget recommends only two minor tariff changes of no interest to American firms.

Foreign Trade in Gold in 1931 and 1932 (Same source, 2/7/33)

The following were the monthly net exports and imports of gold during 1931 and 1932:

Month:	1931		1932	
	Net Export Rs.	Net Import Rs.	Net Export Rs.	Net Import Rs.
January	800,000	---	90,700,000	---
February	---	2,400,000	94,300,000	---
March	---	2,600,000	67,300,000	---
April	---	1,600,000	41,200,000	---
May	---	1,900,000	32,300,000	---
June	4,800,000	---	47,800,000	---
July	2,200,000	---	60,600,000	---
August	700,000	---	43,900,000	---
September	---	200,000	64,700,000	---
October	85,600,000	---	55,600,000	---
November	83,000,000	---	65,800,000	---
December	174,700,000	---	99,700,000	---

Bombay Bullion Market Report (Same source, 2/2/33)

The Bombay gold market during the week ending January 27 was weak, with a fair volume of business, particularly for forward delivery. The daily offtake continued at 2,000 tolas with stocks approximating 200,000 tolas. Imports during the week amounted to 152,255 rupees in bar and coin. (1 tola = 3/8 ounce troy.)

The Bombay silver market during the week ending January 27 was fairly steady, with narrow price changes from day to day. The daily offtake has improved to 150 bars with stocks at 7,000 bars. Imports during the week totaled 101,200 rupees in coin.

Bullion Market Report (Same source, 2/9/33)

The Bombay gold market during the week ended February 3 was fairly steady, with considerable business put through by banks. The daily offtake was 2,000 tolas with stocks at about 200,000 tolas. Imports during the week amounted to 164,203 rupees in bar and coin. (One tola = 3/8 oz. troy.)

The Bombay silver market during the week ended February 3 was featureless, the price of ready moving within narrow limits. The daily offtake averaged 65 bars with stocks at 7,000 bars.

Report on Municipal Finances (Same source)

The Calcutta Port Trust expects a deficit of 4,200,000 rupees in the current fiscal year due to decrease in trade. Its income is now estimated at 25,000,000 rupees against the budget estimate of 28,000,000 rupees. It will probably increase charges and also endeavor to reduce interest rates on outstanding paper and to induce the Central Government to waive certain charges for a period of five years.

The budget of the Calcutta Corporation indicates a probable decrease of 2,000,000 rupees against estimates. There has been a decrease of 3,587,000 rupees in expenditure compared to estimates, of which 2,200,000 rupees represents new works planned but not carried out for lack of funds. The city feels it can not now increase the rates nor borrow on its present financial showing, and must therefore curtail expenditure. It is probable that no new works and only absolutely essential purchases will be expected during the budget year 1933-34 (April-March).

Considers Tax on Gold Exports (Same source)

Sir George Schuster is considering ways and means for increasing the Government revenue. The item which attracts most attention at the moment is the possibility of a tax on gold exports. During the past 15 months gold to the value of 1,115,000,000 rupees has been exported, with estimated profits about 280,000,000 rupees. The Government gives the amount exported from September 22, 1931, to December 31, 1932, at 14,500,000 fine ounces.

Securities Rise in Price (Same source)

The Stock Exchange figures on the market value of 100 representative securities show an increase during January averaging 5.56 per cent over December values. The highest rise was in engineering share which increased 40 per cent, the next being tea shares with a rise of 22.37 per cent, and electric shares 18.72 per cent. Government securities were up 5.42 per cent.

Loan Conversion Announced (Same source)

The controller of currency announced February 4 that conversions into the 4 per cent loan had so far amounted to approximately 70,000,000 rupees.

IRAQ

Iraq Petroleum Co. Pays Annual Gold Annuity (Consul General P. Kanbeshue, Baghdad, 1/23/33)

Information received from London states that the Iraq Petroleum Co., in which United States oil companies hold 23-1/3 per cent control, has paid the Iraq Government its oil annuity of £400,000 gold, according to Al Akhbar of January 5, 1933.

JAPAN

(On March 3 one yen = \$0.211)

Publish Details of Bond Financing This Year and Next (Trans-Pacific, 2/9/33)

New bond issues for the present fiscal year (April, 1932-March, 1933), except for the Manchurian incident bonds, were as follows, according to the Ministry of Finance:

<u>Nature and date of issue</u>	<u>Amount issued</u>	<u>By whom taken</u>
	Yen	
Korean enterprise (Sept., 1932)	9,000,000	Deposits Bureau
Korean enterprise (Nov., 1932)	13,594,000	Bank of Japan
Railway enterprise (Nov., 1932)	30,000,000	" "
Telephone enterprise (Jan., 1933)	14,790,000	" "
Telegraph enterprise (Jan., 1933)	925,000	" "
Road enterprise (Jan., 1933)	21,306,000	" "
Earthquake readjustment (Jan., 1933)	7,570,000	" "
Budget deficit (Jan., 1933)	121,066,000	" "
Saghalien enterprise (Jan., 1933)	<u>1,655,000</u>	" "
Total	219,906,000	

New Government bonds for 238,679,872 yen are expected to be issued before the end of March, according to the Ministry of Finance. These bonds will be the new issues for the present fiscal year as follows: Budget deficit bonds, 201,456,921 yen; Formosan enterprise bonds, 4,644,000; Kwantung enterprise bonds, 600,000; railway enterprise bonds, 26,000,000; and Manchurian incident bonds, 5,978,951 yen.

The Manchurian incident bonds issued from March, 1932, to November amounted to 323,701,000 yen, according to the ministry of Finance. Details follow:

	Yen	Taken by
(Mar., 1932)	20,907,000	Deposits Bureau
(Mar., 1932)	33,845,000	" "
	14,963,000	Bank of Japan
	7,579,000	" "
(May, 1932)	50,000,000	Deposits Bureau
(July, 1932)	40,000,000	Deposits Bureau and others
(Nov., 1932)	156,405,000	Bank of Japan and others

The Ministry also announced that new bonds to be issued for the fiscal year 1933-34 are estimated at 987,958,540 yen, including both general and special accounts and the Manchurian incident expenses. The majority are expected to be subscribed by the Bank of Japan. Details follow:

<u>General Account</u>	<u>Yen</u>
Telephone enterprise bonds	13,280,000
Telegraph enterprise bonds	700,000
Road enterprise bonds	16,676,000
Earthquake readjustment bonds	18,783,000
Budget deficit bonds	659,461,000
Total	708,900,000
<u>Special Accounts</u>	
Korean enterprise bonds	31,725,000
Formosan enterprise bonds	5,000,000
Karafuto enterprise bonds	3,500,000
Railway enterprise bonds	48,000,000
Total	88,225,000
<u>Manchurian Incident Expenses</u>	
General accounts	186,330,000
Special accounts	4,501,000
Korea	1,274,000
Kwantung	3,226,000
Total	195,331,000
Grand Total	992,957,000

The figures above, for bond issues between March 1, 1932, and March 31, 1934, total 1,770,246,000 yen. Those for the fiscal year just ending total 704,994,000, those for the next fiscal year 987,958,000 yen.

Foresees More Bond Issues (Trans-Pacific, 2/9/33)

Recently, Mr. Seihin Ikeda, senior managing director of the Mitsui Bank, declared that Government bond issues for the fiscal years of 1931-32, 1932-33, 1933-34, and 1934-35 are likely to total 2,500,000,000 yen and that the entire population of the country was uneasy at the prospect. He asserted that a sinking fund system should be set up to deal with these emergency bonds and advocated that they be sold to the market by the Bank of Japan in order to avoid currency inflation and high prices.

Details of Japanese Exchange Resources (Commercial Attache Halleck A. Butts, Tokyo, 2/6/33)

The Minister of Finance has just released the following statement of Japanese securities foreign currencies, and foreign-currency securities owned by Japanese, and Japanese deposits and loans in foreign money as of July 1, 1932:

	<u>Yen</u>
Japanese government bonds	674,791,000
Japanese municipal bonds	55,839,000
Japanese debentures	151,085,000
Foreign government bonds	205,040,000
Foreign municipal bonds	13,005,000
Foreign debentures	29,483,000
Foreign common and preferred stocks	104,398,000
Bank deposits	309,799,000
Loans	134,970,000
Total	1,678,410,000

The Finance Department announced February 3 that it anticipated payments abroad during the fiscal year 1933-34 of 136,818,000 yen, of which 78,700,000 yen is to be applied to the payment of principal and interest on foreign obligations.

Industrial Bank of Japan to Redeem Sterling Loan (Same source)

Newspapers report that the Industrial Bank of Japan has reached an agreement with the Finance Department whereby its loan of £1,030,000 sterling which matures December 1, 1933, will be redeemed in cash. There seems little possibility that conversion would be agreeable to holders of present debentures. There is a possibility that the Government will share in the extra amount required because of the difference in exchange.

Change in Attitude Toward Increasing Taxes (Same source)

For some months the Government has had no intention of increasing taxes to avoid some of the bond issues proposed in the budget for the next fiscal year. Organized economic societies and individual bankers are now agitating a revision of the tax system, if necessary to insure larger revenues. There is no complaint against the total of bond issues suggested, but there seems to be a sincere desire for tax assessments sufficient to care for the interest requirements and for a sinking fund. However, this agitation is too late to receive favorable consideration at this time, and as is usually the case, no specific recommendations are made as to how the system should be revised or manner in which additional taxes could be successfully collected.

Security Prices Decline in January (Same source, 2/11/33)

Trading on the Stock Exchange has continued listless with a downward tendency in prices since the turn of the year. The value of all shares on the Tokyo Stock Exchange declined 386,747,000 yen during the month. The principal factors affecting prices are the uncertainty of diplomatic affairs at Geneva, the repeated statements of the Bank of Japan that it will dispose of Government bond issues to the public, the possibility that the export advantage arising from the exchange situation may disappear, and the outlook for adverse tariff or licensing regulations abroad.

Statement of Average Note Issues During the Week Ending January 7, 1933 (From Bank of Japan statement)

	Yen
Notes issued	1,330,628,474
Reserves:	
Gold coin and bullion	425,068,190
Government bonds	442,951,776
Government securities	44,542,467
Other securities	127,877,674
Bills and notes	290,188,367
	<hr/>
	1,330,628,474

National Debt at the End of December, 1932 (Commercial Attache Halleck A. Butts, Tokyo, 2/7/33)

Japan's national debt at the end of December, 1932, as reported by the Department of Finance, Tokyo, was as follows:

<u>Domestic</u>	<u>Outstanding Amount Yen</u>
5% national loans	1,839,900,000
5% " " extra	120,800,000
5% " " mark "K0"	396,700,000
4% " " first issue	165,000,000
4% " " second issue	94,500,000
5% exchequer bonds	2,333,500,000
4½% " "	200,000,000
	<hr/>
	5,150,400,000
 <u>Foreign</u>	 <u>Foreign currency</u>
4% sterling loans, first issue	£9,355,500
5% " "	£22,807,640
4% loans issued in Paris	416,194,000 francs
4% sterling loans, third issue	£10,798,800
6½% American dollar loans	\$24,008,235
5½% sterling loans	£12,499,900
5½% American dollar loans	\$71,000,000
South Manchuria railway sterling loans	£6,000,000
	<hr/>
Total	58,600,000
	(a) 1,398,300,000

<u>Foreign</u>	<u>Foreign currency</u>	<u>Yen</u>
Total National Loans		6,548,700,000
Treasury bonds		340,000,000
Rice notes		111,400,000

(a) It will be noted from the discrepancy in the summation of these items, that the 6 per cent sterling loan of 1924 has apparently been omitted from the table. At the end of November, 1932, this amounted to 234,392,398 yen.

Kwantung Leased Territory Budget for 1933 (Assistant Trade Commissioner Louis C. Venator, Mukden, 1/17/33)

The 1933 budget of 25,864,000 yen for the Kwantung Leased Territory has been approved by the Cabinet Council of the Japanese Government, according to official notice. This budget represents an increase of 3,128,776 yen over last year, and involves a government grant of 5,000,000 yen.

The budget stands as follows:

<u>Revenue</u>	<u>Yen</u>	<u>Expenditures</u>	<u>Yen</u>
Ordinary	16,327,000	Ordinary	17,601,000
Extraordinary:		Extraordinary:	8,263,000
Public Bond	3,220,000		
Government grant	5,000,000		
Brought Forward	957,000		
Others	360,000		
Total	25,864,000	Total	25,864,000

The increase in expenditure is largely in extraordinary items and involves additional expenses in connection with the present political situation. These include new communications and similar enterprises.

Oriental Development Co. Announces Issue (Commercial Attache Halleck A. Butts, Tokyo, 2/11/33)

The announced issue of 10,000,000 yen of debentures for the conversion of outstanding issues bears 6 per cent and will be sold at par and redeemed in five years.

Japan's January Trade Balance (Same source)

Japan's foreign trade for January indicates exports of 107,341,000 yen, and imports of 173,503,000 yen, an adverse balance of 66,162,000 yen. Compared with last year exports increased 52 per cent, and imports 50 per cent, and the excess of imports 20,839,000 yen. The cotton importing season is at its height and the unusual adverse balance is therefore anticipated.

Postal Savings, 1932 (Same source, 2/9/33)

The following statistics on postal savings deposits were published in the Official Gazette, February 7, 1933:

	<u>1932</u>		<u>Comparison with 1931</u>
<u>Deposits:</u>			
Number of new depositors	5,473,468	Inc.	534,676 (10.83%)
Amount deposited	Y 2,059,140,503	"	Y 238,810,598 (13.12%)
<u>Withdrawals:</u>			
Number of drawers	4,726,470	"	282,719 (6.36%)
Amount withdrawn	Y 1,964,336,715	"	Y 416,169,305 (26.88%)
<u>Outstanding at the end of the year:</u>			
Number of depositors	39,375,450	"	746,998 (1.93%)
Amount of deposits	Y 2,704,482,085	"	Y 94,803,787 (36.33%)

Bank of Japan Will Take Bonds (Same source, 2/28/33)

The Bank of Japan will take 200,000,000 yen of bonds in March.

NETHERLAND INDIA

(On March 3 one florin = \$0.4049)

Government Revenues January-November, 1932 (Trade Commissioner Richard P. Hendren, Batavia, 1/30/33)

Government revenues for November, 1932, according to a press report, were 33,700,000 florins, against 44,300,000 florins in November, 1931. Total revenues for the first 11 months of 1932 were 386,000,000 florins and 468,000,000 florins for the same period of 1931.

Silver Stock of Java Bank (Commercial Attache Jesse F. Van Wickel, The Hague, 2/14/33)

On December 31, 1932, the Java Bank held 46,105,191 florins of silver, equivalent to 11,500,000 fine ounces troy. (The approximate amount of silver held in the Netherlands by the Netherlands Bank is 6,500,000 fine ounces.)

NEW ZEALAND

(On March 3 one New Zealand pound = \$2.756)

New Zealand Proposals to have Separate Coinage System (Assistant Trade Commissioner Eugene West, Wellington, N. Z., 2/8/33)

The three Australian banks operating in New Zealand have lately been importing Australian silver coins, which are legal tender in New Zealand as well as in Australia. Due to the premium in the exchange market for remittances to London, there is an advantage in taking up British silver coins now circulating in New Zealand and sending them to London. Such an operation leaves a profit of approximately 25 per cent, minus the cost of shipping coins. It is believed that all New Zealand banks have been sending British silver coins to England. These coins have replaced the coins imported from Australia. Accordingly, there is some demand that New Zealand issue its own coinage.

(According to a cablegram from Assistant Trade Commissioner West, March 8, 1933, a bill has been introduced to authorize the Minister of Finance to negotiate with the Royal Mint for a separate silver and copper coinage for New Zealand.)

New Zealand Exchange Arrangement (London Times, February 4, 1933)

The New Zealand House of Representatives passed the bank indemnity (exchange) bill through its final stages on February 3. It is not expected that the bill will be rejected in the Legislative Council.

The bill empowers the Government, through the Bank of New Zealand, to buy and sell surplus exchange in London from other banks. It was introduced after the recent depreciation of the New Zealand pound, in order to insure the banks against loss which might be incurred on balances in London should the new exchange rate not be maintained. (Under date of February 4, 1933, Trade Commissioner Julian B. Foster reported that the bill to indemnify the banks had passed by a majority of 8.)

New Zealand Ships Gold (Samuel Montagu and Co. Weekly Review of Foreign Exchanges, 2/9/33)

During the period January 30 to February 6, 1933, £260,492 in gold was received in England from New Zealand.

Additional Tax Imposed on Export of Gold (Trade Commissioner Julian B. Foster, Wellington, 2/10/33)

Effective February 9 the New Zealand Government imposed a tax of 12s. 6d. per troy ounce on the export of gold, to be levied in addition to existing export duties of various amounts, ranging from 6d. to 2s. 6d. per troy ounce.

PERSIA

(According to Teheran newspapers of January 11, 1933 the local selling rates for telegraphic transfer on New York were 28.28 rials per the dollar.)

Persian Government Announces Imperial Bank of Persia Note Issues Will Become Valueless after March 20, 1933 (Minister Charles C. Hart, Teheran, 1/19/33)

There has been published an official announcement by the Persian Ministry of Finance "that the bank notes issued by the Imperial Bank of Persia lose their validity as of January 21, 1933, in the provinces and as of March 21, 1933 (first day of the next Persian year 1312) in Teheran and that nothing will thereafter be paid in return therefor." A translation of the full text of the announcement, as published January 16-18 in the semiofficial Teheran newspaper Iran is on file in the Finance and Investment Division.

There are still some 40,000 tomans of "Old Issue" and some 200,000 tomans of "New Issue" Imperial Bank of Persia notes outstanding.

PHILIPPINE ISLANDS

(One peso = \$0.50)

Philippine Acts Received*

The Finance and Investment Division has received copies of the following acts.

No.	Date	Title
3936	Nov. 29, 1932	An Act Requiring Banks, Trust Companies, Savings and Mortgage Banks, Mutual Building and Loan Associations, and Banking Institutions of every kind to transfer unclaimed balances held by them to the Insular Treasury, and for other purposes.
3980	Dec. 3, 1932	An Act to further amend Section 487 of Act 2711, known as the Revised Administrative Code, as Amended by Acts No. 3238, 3382, and 3631.
3949	Dec. 1, 1932	An Act Authorizing the Philippine National Bank to pay in assets other than cash the funds due the Government under the Provisions of Act No. 3174, and for other purposes.
3948	Dec. 1, 1932	An Act to amend section 2031 of Act No. 2711, known as the Administrative Code, as amended by Section 7 of Act No. 3328, and for other purposes.

STRAITS SETTLEMENTS

(On March 3 one Singapore dollar = \$0.39875)

Report of the Singapore Harbor Board for the Year Ended June 30, 1932*

The Finance and Investment Division has received a report of the above title, from Vice Consul William C. Affeld, jr., Singapore, dated December 20, 1932.

TURKEY

Turkish Currency Legislation (Commercial Attache Julian E. Gillespie, Istanbul, 2/12/33)

By virtue of legislation passed by the Turkish Parliament January 14, 1933, the "Law for the Protection of the Turkish Currency, and for Regulating Exchange Transactions" of February 20, 1930, will remain in force five years, instead of three years as originally provided.

This law as well as the nine decree laws adopted by the Council of Ministers for the protection of the Turkish currency would have expired early in March, 1933. The extension of the date continues the authority granted to the Government to adopt, when necessary, other measures to regulate exchange, exportation of capital, speculation, etc.

Austrian-Turkish Tobacco and Clearing Agreement (Same source, 2/17/33)

It is understood that an agreement has been concluded between Austria and Turkey providing for the purchase of Turkish tobacco by the Austro-Turk, (Ltd.) Tobacco Co. and for the removal of currency restrictions on imports from the two countries. According to the agreement, as reported in the local press, the Austro-Turk (Ltd.) will be between February 1, 1933 and December 31, 1933, buy Turkish tobacco to the value of 20,000,000 French francs, of which at least 1,000,000 kilos shall be of the 1930 or previous crops. With regard to payment for the tobacco, it is stated that the Austrian National Bank will open a credit of 20,000,000 French francs in favor of the Turkish Central Bank and as soon as this credit is available the Central Bank will advance its counter-value to the Austro-Turk (Ltd.) when and as purchases are effected.

The agreement also provides that both the Austrian National Bank and the Turkish Central Bank will release blocked accounts of Austrian and Turkish exporters and that in future export of capital to cover imports will not be restricted. The effects of this agreement will be to dispose of some of the old tobacco still available in Turkey and to encourage trade between the two countries. Both Turkish and Austrian exporters have considerable amounts of money due as a result of blocked accounts held in the two countries.

GROSVENOR M. JONES,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 131.

April 5, 1933.

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

AUSTRALIA

(On March 28 one Australian pound = \$2.7120)

Australian Governmental Finance - January, 1933 (Trade Commissioner E. C. Squire, Sydney, 2/17/33)

An addition of £1,847,000 to the aggregate deficits of the Commonwealth and State Governments was made in January. Revenue was less than in December by £3,600,000. With the assistance of a surplus in the Commonwealth Treasury statement, the net deficit of all Australian Governments was down to £7,074,000 at the end of January, 1933, compared with £19,673,000, the total deficit at the end of January, 1932. The position of each Government for the first seven months of this financial year is as follows:

Commonwealth	plus	£2,280,000
Victoria	minus	2,790,000
New South Wales	minus	2,358,000
Queensland	minus	1,411,000
South Australia	minus	1,690,000
West Australia	minus	1,005,000
Tasmania	minus	100,000
NET total	minus	7,074,000

At the end of the first seven months of the last financial year, deficits of the Australian Governments were £5,023,000 in excess of those contemplated by the Premiers' Conference. In the seven months of this year the deficits have exceeded the total allowed for the States by only £354,000, and estimates submitted to the last meeting of the Australian Loan Council suggest that the states will complete the year with deficits £165,000 below the limits allowed.

Following is a comparison of the deficits allowed to the States under the Premiers' plan, the estimated deficits for the financial year, and the actual deficits for the first seven months.

	Allowed Deficit for Year	Estimated Deficit for Year	Actual Deficit 7 months
New South Wales	£4,500,000	£4,350,000	£2,358,000
Victoria	900,000	900,000	2,790,000
Queensland	1,485,000	1,485,000	1,411,000
South Australia	1,215,000	1,200,000	1,690,000
West Australia	765,000	765,000	1,005,000
Tasmania	<u>135,000</u>	<u>135,000</u>	<u>100,000</u>
Total	9,000,000	8,835,000	9,354,000

Australia Short-Term Indebtedness on January 31, 1933 (Same source, 2/23/33)

There was a reduction of £1,469,000 in the total net short-term indebtedness of the Commonwealth and State governments in January. The total short-term debt on January 31 was £84,761,000, of which £34,118,000 was owing in London and £50,643,000 in Australia. The debt in London was made up of £30,124,000 of debentures and £4,250,000 of treasury bills, less £256,000 in credit balances with the banks. In Australia, £51,975,000 was outstanding in treasury bills and £783,000 in bank overdrafts, less £2,115,000 in credits with the banks. A comparison of the short-term debt position of the various Governments is as follows:

	<u>London</u>	<u>Australia</u>	<u>Total</u>
Commonwealth	£10,166,000	£2,851,000	£13,017,000
Victoria	6,140,000	8,062,000	14,202,000
New South Wales	10,507,000	27,654,000	38,161,000
South Australia	3,809,000	4,930,000	8,739,000
West Australia	3,131,000	6,882,000	10,013,000
Tasmania	<u>489,000</u>	<u>680,000</u>	<u>1,169,000</u>
Total Dr.	34,242,000	51,059,000	85,301,000
Queensland, Cr.	<u>124,000</u>	<u>416,000</u>	<u>540,000</u>
Net Total, Dr. ..	34,118,000	50,643,000	84,761,000

In December, £4,000,000 of the £8,000,000 3½ per cent loan was devoted to the retirement of treasury bills, but as the governments had in the meantime borrowed an additional equivalent amount, the total of treasury bills showed no reduction at the end of the year. The reduction of the short-term debt now disclosed is almost wholly accounted for by a reduction of £1,303,000 in the bank overdraft of the Commonwealth Treasury. It appears that proceeds of the December loan were used for this purpose.

Comment on Loan Council's Decision (Monthly Summary of Australian Conditions for January, 1933, National Bank of Australasia, Ltd.)

The February meeting of the Australian Loan Council was of marked importance, inasmuch as it led to a substantial reduction in loan funds for public works -- £6,000,000 -- originally asked for by the States, to £4,000,000, and to a decision that "provision for the works programs for the coming financial year shall be made by loans raised on the market as opportunity offers." The financing of further revenue deficits, if any, during the coming year may be met by the issue of treasury bills, in keeping with the practice followed during the past few years.

Although the revenue deficits of the State Governments have been rapidly and substantially reduced, bringing the estimated aggregate for the six States for the financial year ended June 30, 1933, down to £8,835,000, or £165,000 less than the amount envisaged in the Economy Plan of June, 1931, a strong and influential section of the community is definitely opposed to revenue deficits being added to either the floating or the fixed public debt.

Australia's Public Debt at December 31, 1932 (Trade Commissioner E. C. Squire, Sydney, 2/24/33)

Australia's total public debt had reached £1,197,103,605 at December 31, 1932, according to a statement in the Commonwealth Gazette of February 16, 1933. The total comprised States' debts of £302,087,834 and Commonwealth debt of £395,015,770.

The Commonwealth debt was made up of £284,766,233 war debt and £110,388,536 borrowed for other purposes.

Of the total Australian debt, £598,504,472 was held in Australia, £551,519,815 in London, and £47,079,318 in New York.

The annual interest bill is £51,023,869, of which £23,283,000 is payable in Australia, £25,375,000 in London and £2,365,000 in New York.

War-debt interest costs the Commonwealth Government £12,336,000 a year, as against £4,859,000 for interest on the works debt.

Loan Council Meeting (Same source, 2/17/33)

At a recent Loan Council meeting in Melbourne important decisions relating to the internal borrowing policy of the Australian governments were reached after negotiations between the Loan Council and the Commonwealth Bank Board. The Bank agreed to advance to the Loan Council £4,000,000 to complete the works program for the current financial year; and the Loan Council agreed that, beginning with the next financial year, no further effort will be made to obtain funds for loan works by means of treasury bills. This means that the Loan Council will approach the open market whenever it requires funds for public works. The decision does not apply to the financing of deficits.

New South Wales Conversion (Same source, 2/27/33)

New South Wales has a loan of £9,600,000 maturing in London July 1. Arrangements have been made to convert this into Commonwealth 4-per cent stock, redeemable in 1955-70.

Banks Reduce Interest on Fixed Deposits (Same source, 2/11/33)

Announcement has been made that the banks will follow the lead of the Commonwealth Bank in reducing interest rates on fixed deposits. Reduction will apply only to new deposits.

Money Rates Decline (Same source, 2/20/33)

During the past week yields on Government bonds listed on the Sydney and Melbourne stock exchanges were the lowest for any recent time. The yields in recent months have been as follows:

December	3.95 per cent
January	3.90 per cent
Week ended February 2, 1933	3.88 per cent
Week ended February 9, 1933	3.88 per cent
Week ended February 16, 1933	3.82 per cent

The Federal Government in recent years has had to resort to the sale of treasury bills to finance deficits. At the start it was forced to pay $5\frac{1}{2}$ per cent interest. This has gradually been brought down, until during the past week the rate has been dropped to 2.75 per cent.

lower Interest Rates on Fixed Deposits (Same source, 2/17/33)

All trading banks and the Commonwealth Bank are again reducing interest rates on fixed deposits by one-fourth of one per cent. This will apply to all new deposits and to renewals of deposits, but not to those deposits which have a term to run. The per annum rates are: 3 months deposits 2 per cent; 6 months, $2\frac{1}{2}$ per cent; 12 months, $2\frac{3}{4}$ per cent; 2 years, 3 per cent.

This latest reduction brings the fixed deposit rate to $2\frac{1}{2}$ per cent below the level of 19 months ago.

The fall in fixed deposit rates is the latest of a series of important reductions announced recently. In October the discount rate for Commonwealth treasury bills was reduced from 4 per cent to $3\frac{1}{2}$ per cent, and on January 28 a further reduction to $3\frac{1}{4}$ per cent was announced that this rate had been further reduced to $2\frac{3}{4}$ per cent. This new rate will apply to all treasury bills discounted subsequent to February 17, whether for the purpose of renewing outstanding bills or otherwise. The present reduction represents a further fall of one-half of one per cent, and will effect an annual saving of £225,000 in the interest on the £51,000,000 of treasury bills already issued in Australia.

At the beginning of December the Commonwealth Bank decided to reduce the rate on loans to public bodies from 5 per cent to an average of $4\frac{1}{2}$ per cent, and on January 21 again reduced the rate on advances from 5 per cent to a maximum of $4\frac{3}{4}$ per cent, and on rural credit advances from $4\frac{1}{2}$ per cent to $4\frac{1}{4}$ per cent. Both of these reductions took effect as from January 1. The latest figures show that the Bank has a total of £7,456,923 in advances, loans, and discounts.

CHINA

(On March 28 the yuan = \$0.2054; the Shanghai tael = \$0.2894)

Haikwan Tael to be Abolished (Commercial Attache Julian Arnold, Shanghai, 3/10/33)

The Chinese customs announces the substitution of the new silver yuan for the haikwan tael. (Until now the haikwan tael has been used in the collection of export duties and the valuation of exports. "Haikwan" means "customs duty.")

The new silver yuan is 0.880 fine and contains 23.493448 grams of pure silver. According to the decision of the Government, 1.558 yuan become the equivalent of one haikwan tael. Local yuan circulating at par with the new yuan coins are acceptable in lieu of the new yuan in payments to the customs; other currencies are acceptable only at market rates. During a transitional period ending July 10, Shanghai taels will be convertible into yuan at the rate of one yuan equals $71\frac{1}{2}$ tael cents.

China Mint Not to Open Until July 1 (The China Weekly Review, Shanghai, 2/25/33)

The date for the formal opening of work at the Central Mint in Shanghai has been postponed to July 1, according to information from banking circles. The China Times says the postponement has been rendered necessary by the impossibility of completing arrangements for the abolition of the tael on March 1, as originally intended. Local bankers point out that Shanghai has an ample supply of silver and if the Mint starts work it will experience no difficulty in securing the necessary supply of silver.

Japanese Postal Savings in Manchuria Show Increase (Assistant Trade Commissioner Louis C. Venator, Mukden, 1/24/33)

Largely because the Imperial Japanese Postal Savings service in Manchuria has not followed the lead of local Japanese banks in reducing interest rates, deposits in the postal savings have recently shown an increase.

New deposits during November amounted to 28,276,895 yen, an increase of approximately 7 per cent. During the same month deposits of 2,574,663 yen were withdrawn.

Interest rates on postal savings remain at 4.44 per cent for one year and 4.68 per cent for three-year deposits. Japanese bank rates have recently been reduced from 4.5 per cent to 4 per cent. In addition, local banks do not encourage small fixed deposits, while the postal service accepts nothing larger than 2,000 yen.

No figures are available as to the total deposits in force.

Shanghai Power Company's Debenture Issue (Finance and Commerce, 2/8/33)

Less than four years ago American financiers purchased the Municipality's electricity department for 81,000,000 Shanghai taels. A total of 57,000,000 Shanghai taels has already been paid to the Municipality, leaving only 24,000,000 taels of the purchase price outstanding and, in addition, the company has spend 16,000,000 taels upon extensions to its plant. Now it is the intention to issue 33,000,000 Shanghai taels worth of debentures with which to discharge completely the mortgage the Municipality holds upon the Company's property and to provide capital required for further development. When the transaction is completed the Municipality will have received payment in full and the debentures to be issued at 96 Shanghai taels, and bearing interest at $5\frac{1}{2}$ per cent on their face value, will be the first lien on all the fixed property within the International Settlement owned by the Company. Of the debenture 18,000,000 taels has already been privately placed and it is anticipated that the remaining 15,000,000 Shanghai taels, to be offered the public, will be readily absorbed.

During the 12 months ended November, 1932, the Company's income amounted to nearly five times the annual total interest requirements so that while Shanghai remains a city demanding light and power there need be no question of either default or depreciation.

*****Incidentally also the issue should have a distinct beneficial effect on the quotations for power preferred stock as the interest to be paid on the first mortgage debentures is lower than that formerly due to the Municipality and the company will naturally benefit in other ways by successfully replacing its short term indebtedness by long term financing.

Change in Shanghai's Silver Stocks (Same source.)

Owing to recent heavy arrivals of bar silver, stocks of the latter held in Shanghai are estimated at nearly 12,000 bars. The arrivals are responsible for a sharp increase in the value of the "tael" resources by local banks. About three-fourths of these stocks of bars are destined for the coining of new dollars.

Return of Russian Boxer Indemnity (Same source)

It is understood, says the Kuo Min News Agency, that in accordance with the Sino-Soviet Treaty of 1924, the Soviet Union will remit to China, the Russian portion of the Boxer Indemnity Fund.

According to the treaty in question, the Soviet Union not only waived her right to the unpaid portion of the Boxer Indemnity but also agreed to return to China the portion which had already been paid to Tsarist Russia under the Boxer Protocol of 1901. It is pointed out that the treaty, which has been in suspense since the rupture of Sino-Soviet relations in 1929, is now again in force with the resumption of diplomatic relations.

It is understood that the question as to the use to which the remitted funds are to be put will be taken up on the arrival in China of M. Bogolomoff, the new Soviet Ambassador.

Magazine States New Manchurian Notes Not Popular (China Weekly Review, 2/11/33)

The new "Manchukuo" notes do not enjoy the confidence of the public. There is no guaranty back of them and no promise to exchange them for silver. The Manchukuo Customs, outside of Harbin, will not accept their own Central Bank notes.

Regulations on Chinese Silver Coinage* (Commercial Attache Julean Arnold, Shanghai, 3/6/33)

In connection with the operation of the Central Mint at Shanghai, the National Government issued a set of regulations governing the coinage of the standard silver unit known as a yuan. A copy of these regulations may be borrowed from the Finance and Investment Division.

Tientsin-Pukow Railway Debts (Same source.)

An agreement was entered into in January, 1933, between the officials of the Tientsin-Pukow Railway and a committee representing that railway's creditors, with regard to the debts of the line. According to the report, the debtors' committee, which is believed to be all British, has agreed to abandon all claims for compound interest on outstanding debts. On the other hand, the railway has agreed to pay 6 per cent interest on the debts up to February 1, 1933, and thereafter, 5 per cent. Moreover, the railway is reported to have agreed to turn over to Mr. Calder Marshall, the chairman of the creditors' committee, at least 50,000 yuan each month for amortization purposes.

Additional \$16,000 Loan for Nanking Train Ferry (The China Weekly Review, Shanghai, 3/4/33)

Dr. Chu Chia-hua, on behalf of the board of trustees of the British Boxer Indemnity Fund, signed a contract with the Ministry of Railways at Nanking February 5 for an additional loan of \$16,000 for the Nanking-Pukow Railway.

Completion of the Canton-Hankow Railway (Trade Commissioner Thomas C. Barringer, Hong Kong, 2/4/33)

After many months of false rumors and indecisions it now appears that the British Boxer Indemnity Fund Board will devote \$4,080,000 to the completion of the 270-mile gap in the Canton-Hankow Railway. This appropriation, nearly 40 per cent of the entire fund now held by the British Boxer Indemnity Board, should insure the speedy completion of this vital link in South China's economic life.

BRITISH INDIA

(On March 28 one rupee = \$0.2571; the crore = 10,000,000 rupees)

Afghanistan Employees Foreign Financial Adviser (Trade Commissioner George C. Howard, Calcutta, 2/16/33)

An Italian expert has been engaged by the Afghanistan Government to reorganize its finances. Afghanistan revenue showed a marked increase during 1932, but greater increases are expected as potential sources of revenue are tapped and leakages stopped.

India's Customs Revenue in January (Same source)

Indian Customs revenue for January totaled 47,646,000 rupees, compared with 46,873,000 rupees in January last year. The 10-months total for the present fiscal year is 448,183,000 rupees, against 384,606,000 rupees last year.

Loan Announcement (Same source)

The controller of currency announces that conversions into the 4 per cent 500,000,000 rupees 1960-1970 loan amounted to 120,000,000 rupees up to February 11.

Gold and Silver Market Report (Same source)

Owing to the upward tendency of the dollar-pound cross rate the gold market was quiet, with gold stocks of 200,000 tolas in Bombay and 20,000 tolas in Calcutta. Imports during the week amounted to 79,000 rupees and exports to 14,403,000 rupees. (One tola = 3/8 ounce troy.)

The silver market was quiet. Bombay stocks are down to 7,000 bars. The daily offtake is about 70 bars in Bombay. The Calcutta stock is about 900 bars, with offtake at 10 bars per day. (One bar = approximately 1,050 ounces troy.)

The controller of the royal mint stated some time ago that most of the gold from India was reaching the mint in the form of bars, "showing that Indians are not parting with their ornaments." Some observers claim that this statement is hardly correct since ornaments coming from "up-country" have to be refined before exportation.

Sir George Schuster on India's Gold Exports (The Economist, London, 3/4/33)

In his budget speech in February Sir George Schuster, the Finance Minister, stated that India's imports were surprisingly maintained during 1932. This led him at once to the question of the recent abnormal exports of gold. He pointed out that in the calendar year 1932, with imports at 113 and exports at 110 crores, India had a slightly adverse merchandise balance, although to maintain an even balance of payment's including her debt commitments, she needed a substantially favorable balance of trade. The situation had been saved by the exports of gold, whose value between September, 1931, and September, 1932, had been placed at 107 crores, or £80,000,000. Out of the sterling balances thus created, private individuals had obtained the equivalent of about £10,000,000 and the Government had acquired £70,000,000, to which should be added £10,000,000 raised by loans floated in this period. Out of these resources sterling loans amounting to £21,000,000 had been repaid, currency reserves had been increased by £11,000,000, and Treasury balances by £13,500,000. The balance of £34,500,000 had been used to meet current requirements in London. Moreover, in regard to the position of Indians who had sold gold to the Government, only part had been used to pay for current consumption and a very large part had been invested, as witnessed by the past year's increase in savings bank deposits and investments in the Post Office cash certificates.

The suggestion that India was seriously weakening her resources by her exports was traversed by the Finance Member, who pointed out that gold exports in the period in question had totaled about 14,000,000 ounces, whereas between April, 1922, and September, 1931, 43,000,000 ounces had been imported into India. Thus, even if the exports up to last September were trebled, India would still have more gold than she had eleven years ago. The benefits, however, of the resources placed in the hands of the Government as a result of gold shipments were not confined to the mere reduction which had been effected in India's liabilities. Thanks to this factor and to the successful efforts at restoring stability to the India budget, the credit of the Government had undergone a striking improvement.

Silver Market Report (Trade Commissioner George C. Howard, Calcutta, 2/23/33)

The silver market has been relieved of the fear of a reduction in the import duty on silver and prices dropped slightly during the week, but later were raised as a result of speculative activity.

India's Revenues During 10 Months (Same source)

The Indian revenues for the ten months April, 1932 to January, 1933, and during the corresponding period of the two previous years were as follows:

	<u>1930-31</u>	<u>1931-32</u>	<u>1932-33</u>
	Rupees	Rupees	Rupees
Land revenues	230,068,000	231,878,000	223,555,000
Salt revenues	56,060,000	59,978,000	88,319,000
Stamp revenues	99,851,000	93,820,000	98,637,000
Excise revenues	129,912,000	112,025,000	110,781,000
Customs receipts	379,295,000	371,474,000	435,939,000
Income-taxes (including super-taxes and ex- cess profits duty) ..	115,528,000	118,811,000	123,113,000
Forest revenues	31,653,000	26,117,000	23,359,000
Opium	6,598,000	7,423,000	7,511,000

JAPAN

(On March 28 one yen = \$0.2117)

Supplementary Budget Passed (Commercial Attache Halleck A. Butts, Tokyo, 3/17/33)

The Diet has passed a supplementary budget of 64,000,000 yen.

Exchange Control to Include Trade Control (Same source)

Exchange control will include control of exports to avoid charges of dumping.

National Debt at the End of January, 1933 (Same source, 2/28/33)

Japan's national debt at the end of January, 1933, as reported by the Department of Finance, was as follows:

	<u>Outstanding amount</u>
Domestic	Yen 5,350,886,300
Foreign	1,396,506,304
Total National Debt	6,747,392,605
Treasury bonds	315,000,000
Rice notes	117,131,333

Budget Figures Given Out (Japan Chronicle, 2/9/33)

The Finance Department announces that revenues April 1 to November 30 1932, totaled 686,-168,000 yen, an increase of 80,613,000 yen over the same period in 1931, and expenditures 868,291,000 yen, an increase of 143,402,000 yen. The Lower House passed the budget without revision, and it is anticipated that similar action will be taken by the House of Peers.

Japan's Growing Debt; No Sinking Fund (Same source)

The Department of Finance will not reestablish a sinking fund system for the present, nor will it increase the amount of redemption. The bond issues for the 1933-34 fiscal year will amount to 987,958,000 yen. The Government will also issue bonds for indemnification of holders of the raw silk stock and for the purchase of railways, thus making a total of 1,009,888,000 yen. On the other hand, 34,411,000 yen will fall due for redemption. The Department of Finance expects that the total debt will reach 7,976,573,000 yen at the end of the next fiscal year, March 31, 1934, as follows:

	<u>Domestic</u> Yen	<u>Foreign</u> Yen	<u>Total</u> Yen
March, 1933	5,598,642,000	1,402,454,000	7,001,096,000
New issue	1,009,888,000	---	1,009,888,000
Redemption	22,651,000	11,760,000	34,411,000
	6,585,879,000	1,390,694,000	7,976,573,000

Government's Policy on Exchange (Same source)

Newspapers quote the Minister of Finance as follows: "Japan does not intend to peg exchange but desires to narrow fluctuations. The Government does not intend to enforce an exchange equalization system or to restrict foreign trade through exchange control."

Japanese Exchange-Control Bill (The Trans-Pacific, Tokyo, 2/23/33)

Following is the text of the Foreign Exchange Control Bill introduced into the Imperial Diet by the Government on February 14:

Article I. The Government is authorized to prohibit or restrict by law the under-mentioned transactions or actions:

1. Acquisition or disposal of foreign currencies or foreign exchange.
2. Export of currency, bullion, gold alloy or things containing gold in substantial proportion; or the melting down or defacement of gold coins.
3. Making remittances of foreign countries by means other than those described in the foregoing two items.
4. Making payments in Japan in accordance with commitments entered in foreign countries.
5. Control of foreign exchange rates.
6. Acquisition or disposal of notes, credits or debts denoted in foreign currencies.
7. Issue or acquisition of letters of credit.
8. Actions giving credit to residents of foreign countries.
9. Export or import of notes.
10. Exports wholly or partially unaccompanied by exchange transactions.

Article II. The Government by virtue of this law is able to collect reports on matters covered in the foregoing items and to inspect books and other documents.

Article III. The Government by virtue of this law may limit foreign exchange transactions to the Bank of Japan or to other institutions which it may designate.

Article IV. The Government may instruct those who have gold bullion, foreign currencies, foreign exchange, or notes and credits in foreign currencies to dispose of them in their own manner or may instruct that these securities, credits, etc., be sold to the Bank of Japan or other institutions designated by the Government. The selling price for such sales to Government institutions shall be fixed by the Foreign Currency Appraisal Commission. The organization and sphere of activities of this commission shall be fixed by Imperial Ordinance.

Article V. Those who violate the provisions of Article I and III shall be punished with penal servitude or imprisonment not to exceed three years or a fine not to exceed 10,000 yen. Those who disobey the Government instructions regarding disposal of gold or exchange shall be punished by imprisonment not to exceed one year or a fine double the amount of the transaction. Those who fail to submit requested reports, make false reports, refuse to allow inspection of books, conceal books and documents or otherwise impede official inspection of their affairs shall be subject to imprisonment of not more than six months or a fine of not more than 5,000 yen.

Article VI. When a representative, agent or employe of a juridical person or a person commits an unlawful action under this law in pursuance of the business interests of the juridical person or of the person, not only the man but the juridical person or person benefiting shall be punished under the foregoing article.

Article VII. Punishment under the foregoing two articles shall also apply to actions by representatives, agents or employees of a juridical person having a head office or main business office in a district where the law is enforced, when the violation is managed in some district where the law is not enforced.

Supplementary Regulations. The date when this law shall take effect shall be fixed by Imperial Ordinance.

With the enforcement of this law the law against the flight of capital shall be repealed.

Reason for Submission. The Government submits this bill with the object of enforcing stricter control of the flight of capital and of speculative exchange deals, due to the progress of international economy and for the purpose of protecting the interests of the Japanese nation. The Government believes it necessary to have the authority to control foreign exchange.

(Cable advices have reported that the exchange control bill has been adopted and will go into effect April 1. Whether any changes were made in the text of bill as given above, we can not say until we receive detailed reports from Tokyo. These will probably arrive in time for inclusion in the next issue of this bulletin.)

Central Banks Wanted - Department of Finance and Dormant Institutions (Japan Weekly Chronicle, 1/26/33)

The Department of Finance has now started an extensive investigation of banks temporarily suspended. This is the first investigation since 1928, when the existing Banking Law was enacted.

These banks number about 30, but as there are many which, though open, do no new business, the total number will exceed 48. The finance authorities have been too busy, it is said, to exercise strict surveillance over the readjustment of their assets. Now that they have succeeded in adjusting all disqualified banks, the authorities are to direct their attention to the adjustment of those banks in temporary suspension.

Their policy is to advise these banks not only to effect a thorough adjustment of their finances, but to amalgamate with other banks. Their ultimate object is to popularize the establishment in all prefectures of such central banks as those existing in Miyagi, Okayama, Gumma, Miyazaki and Iwate.

Condition of Deposit Account - January, 1933 (Commercial Attache Halleck A. Butts, Tokyo, 2/28/33)

The following is the official statement of the condition of deposit account of the Deposits Bureau, Department of Finance, at the end of January, 1933:

Funds in the Deposit Account: (Liabilities)

	<u>Yen</u>
Postal savings deposits and transfer	2,777,226,291
Reconstruction savings securities sales deposits	77,960,280
Special Government account and other deposits	323,456,559
Reserves of the Deposits Bureau	279,224,774
Revenues of the Deposits Bureau	128,263,880
	<hr/>
Total	3,646,131,784

Use of the Funds: (Assets)

National bonds	1,132,854,352
Municipal bonds	751,346,804
Four per cent Government indemnity bonds	19,266,061
British exchequer bonds	2,719,817
Chinese Government bonds	761,346,804
Hypothec Bank bonds	421,788,684
Industrial Bank bonds	60,610,405
Other securities	899,983,763
Loans	649,166,212
Deposit at home	83,910,313
Deposit abroad	1,274,933
Deposits Bureau account	<u>122,143,485</u>
Total	3,646,131,784

Bank of Japan Annual Meeting (The Trans-Pacific, Tokyo, 2/23/33)

The 101st regular general meeting of the Bank of Japan was held last week. The business report for the last half year, submitted and approved by the general meeting, showed:

	<u>Yen</u>
Net profit for the term	16,175,943
Balance brought forward from the previous term	<u>5,370,094</u>
Total	21,546,037

Apportioned as follows:

Regular dividend (6 per cent per annum for paid old shares)	900,000
Regular dividend (6 per cent per annum for paid new shares)	450,000
Reserves	750,000
Monetary contribution to the Government	11,649,065

Apportioned as follows: (Contd.)

	Yen
Bonus for officials	240,000
Extra dividend (4 per cent per annum for paid old shares)	600,000
Extra dividend (4 per cent per annum for paid new shares)	300,000
Balance carried forward to next term	<u>6,656,972</u>
Total	21,546,037

Mitsubishi Bank Reports (Same source)

The Mitsubishi Bank will retain its 8 per cent dividend rate. It reports a net profit of 5,460,000 yen, of which 2,500,000 yen will be distributed as dividend to stockholders.

New Capital Issues During January, 1933 (Commercial Attache Halleck A. Butts, Tokyo, 2/27/33)

The report of the Hypothec Bank of Japan on Government and Municipal bond issues, company debenture issues and capital Stock payments in Japan during January, 1933, is as follows:

	Yen
Government issues	334,917,875
Municipal issues	6,198,712
Company debenture issues:	32,492,500
(Bank	17,492,500)
(Others	15,000,000)
Capital stock payments	<u>19,281,000</u>
Total	392,890,087

Bank Clearings, Deposits and Loans During January, 1933 (Same source, 2/28/33)

January, 1933 bank clearings through 35 clearing houses of Japan proper amounted to 4,730,378,893 yen or 1,837,361,487 yen less than during the previous month and 1,194,833,535 yen more than during the same month of last year.

As reported by the Tokyo Clearing House, deposits in clearing house banks in Japan at the end of January, 1933, totaled 5,943,747,000 yen, while outstanding loans totaled 5,075,-541,000 yen. These figures show decreases of 25,043,000 yen in deposits and 47,545,000 yen in loans, as compared with the previous month. Securities held by these banks at the end of January, 1933, amounted to 3,270,743,000 yen, call loans totaled 319,489,000 yen and cash on hand amounted to 405,385,000 yen.

The details of the above are as follows:

<u>Deposits:</u>	Yen	<u>Loans:</u>	Yen
Time	3,334,742,000	Loans on securities	1,027,802,000
Current	715,106,000	" on bills	2,774,612,000
Special current	1,139,333,000	Current	433,790,000
On demand notice	416,677,000	Discount bills	<u>839,331,000</u>
Other	<u>337,889,000</u>	Total	5,075,541,000
Total	5,943,747,000		

Note Issues at the End of January, 1933 (Same source)

The outstanding note issue on January 31, 1933, as officially reported by the Department of Finance, was as follows (in yen):

Bank of Japan notes outstanding	1,205,149,162
Bank of Chosen notes outstanding	109,367,955
Bank of Taiwan notes outstanding	47,225,774
Government small notes outstanding	<u>11,260,000</u>
Total	1,373,002,891

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 38,688,582 yen on January 31, 1933.

Securities Speculation Halted When Exchange Closes. (Same sources, 2/20/33)

The boom in the commodity and, especially, in the security markets during the latter part of 1932 has completely collapsed. Tokyo Stock Exchange shares were quoted on January 4, 1933, at 207 yen and on February 14 at 140 yen. Kanagafuchi Spinning shares were quoted, on January 4, at 260 yen and on February 13 at 188 yen. Two days later Tokyo Stock Exchange shares were sold at 124 yen and Kanagafuchi at 153 yen. It was realized that many speculators could not settle, and the exchange was closed at noon on February 15.

Want More Stringent Bank Policy (Same source)

A meeting of influential bank representatives was called to adopt plans for more stringent loan regulations. They had previously expressed concern regarding the Bank of Japan's open-market operations. Now the banks announce their complete approval of the policy to restrict currency inflation. They also disapprove of any further reduction in money rates. Nothing was said regarding credit inflation.

National Debt on January 31 (Same source)

Government obligations sold between December 22 and February 13 were: Bonds, 78,000,000 yen; rice certificates, 124,000,000 yen; and treasury bills, 227,770,000 yen. The national debt as of January 31 was 6,747,000,000 yen, an increase of 200,000,000 yen during the month on account of a Government $4\frac{1}{2}$ per cent bond issue.

South Manchuria Railway Capital Increase Approved; Government Assumes Sterling Bonds (The Japan Chronicle, 2/23/33)

Minister of Finance Takahashi finally approved the South Manchuria Railway scheme for the increase of its capital from 440,000,000 yen to 800,000,000 yen. The necessary bill will be laid before the diet early in March. Of the new 360,000,000 yen capital, half will be subscribed by the Government and the other half by the public. The Government will take over the South Manchuria Railway sterling bonds, 4,000,000 pounds sterling, valued at 39,000,000 yen, at par of exchange. Any exchange loss is to be borne by the South Manchuria Railway Co. This amount will be employed for covering the 2,844,000 yen, unpaid capital and the first installment of the new capital. The South Manchuria Railway Co. wishes to modify the existing limit for its debenture issues, viz., from twice the paid-up capital to twice the authorized capital. The Finance authorities have not yet made any decision on this matter.

Aid for Oriental Development Company (Same source 2/9/33)

The Department of Overseas Affairs decided to indemnify the Oriental Development Co. to the extent of 1,600,000 to 1,700,000 yen. The total "loan" exchange loss of the Oriental Development Co. is put at 4,000,000 yen. The company will have to make good the difference.

oriental Development Company Records a Loss (The Trans-Pacific, Tokyo, 2/23/33)

The Oriental Development Co. has incurred a loss of 406,190 yen for its last half-year business term. No dividend was declared at the general meeting of shareholders yesterday.

Bank of Taiwan's Request for Larger Dividend Refused (Same source)

The Bank of Taiwan will hold its general meeting of shareholders on March 1, *** The bank recently asked the Ministry of Finance for an increase in its dividend rate, but this has been rejected, according to a report. In consequence, the bank will retain a 3 per cent dividend per annum as usual.

Sumitomo Bank Dividend (Same source)

The Sumitomo Bank of Osaka realized a net profit of 3,575,000 yen for the last half year, and has decided to declare a 7 per cent dividend, as before.

Bank of Japan Takes up Government Bonds (Commercial Attache Halleck A. Butts, Tokyo, 3/21/33)

The Bank of Japan on March 25 will take 200,000,00 yen of Government bonds. Agricultural relief loans totaling 200,000,000 yen will probably be made through the Deposits Bureau of the Ministry of Finance.

Japan to Mint Silver (The Trans-Pacific, Tokyo, 2/23/33)

The Government has announced its 1933-34 minting program for auxiliary coinage. The total is to be 10,200,000 yen, including 5,000,000 yen of 50-sen, 3,500,000 yen of 10-sen, 1,500,000 yen of five-sen, and 200,000 yen of one-sen pieces.

Although the Government figures a profit of more than 38 sen per 50-sen coin, this profit cannot be collected until the coins are placed in circulation. Therefore, since there is a surplus of 50-sen pieces on the market now and the new coins will be held back, the profit for the year is cut to 3,314,166 yen, all from the smaller denominations.

Estimated auxiliary circulation at the end of the present fiscal year is 388,252,000 yen, according to the Ministry.

NETHERLAND EAST INDIES
(On March 28 one florin = \$0.4029)

The Government Revenues in Netherland India During November and the First Eleven Months of 1932*

The Finance and Investment Division has received a report of the above title from Trade Commissioner Richard P. Hendren, Batavia, dated February 10, 1933.

Netherland Indian Coin Circulation since the Beginning of the Crisis*

Under the above title the Finance and Investment Division has received from Trade Commissioner Richard P. Hendren, Batavia (Report No. 295, February 7, 1933) a translation of an article appearing in Economisch Weekblad, February 3, 1933, No. 31.

NEW ZEALAND

(On March 28 the New Zealand pound = \$2.7196)

Debt Conversion Country's Largest Financial Transaction (Assistant Trade Commissioner Eugene West, Wellington, 2/27/33)

The most important financial transaction in the history of the New Zealand Government finance initiated February 28, provides that the entire internal debt of the New Zealand Government, amounting to £115,000,000 shall be converted to 4 per cent bonds. This was followed on March 3 by a further measure introduced by the Finance Minister authorizing all local bodies in New Zealand to convert their bonds to 4½ per cent interest bearing securities. The two measures were made possible by the agreement of the Associated Bank in New Zealand to reduce the overdraft rates -- as from May 1 -- from 6 per cent to 5 per cent. The Government Post Office Bank, and the Trustee Savings Bank deposit rates are reduced from 3½ per cent to 3 per cent with power, if necessary, to increase the Post Office rate to 3½ per cent, if it is found that money is being transferred from the savings banks to the trading banks.

The initial federal conversion of £115,000,000 is only one of a series of financial measures in the program of the present Government. The first was the increase of the exchange rate in January, followed by the imposition of higher import duties early in February, and by the imposition of a sales tax of 5 per cent on a great majority of commodities produced in New Zealand and imported.

The announcement of the conversion was received variously, but even the Opposition agreed that the reduction of interest rates was in line with the need of the times. Of the £115,000,000 involved, it is estimated that the government departments hold approximately £45,800,000, leaving a balance of approximately £70,000,000 held by 70,000 private holders. It is proposed that the conversion be completed by April 1 for resident New Zealand holders, and by June 1 for New Zealand holders who are temporarily out of the country. Unlike the English conversion scheme of last year, there is here no alternative but to convert, as the statement of the Minister and the bill provide that all bonds shall be regarded as having been converted on April 1, whether voluntarily converted or not. The response has been quite satisfactory. The total debt of New Zealand is about £276,000,000.

It is anticipated that with the enactment of the local authorities interest reduction and loans conversion bill, and the New Zealand Government loan conversion bill (both of which have already passed the House, and both of which are expected to pass the Upper House) various local authorities will come on the market with individual conversion plans after April 1. Possibly foreign bond holders will then be approached with a similar conversion scheme.

Neither New Zealand Government securities nor local body bonds are held in any large quantity in the United States, no issues having been floated there. However, it may be hoped that the air will be cleared for better business conditions. Confidence in the Government, hich was sadly lacking, seems to have been partially restored, and general business may begin to feel the result of this spirit during the next few months.

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

Legislation on Unclaimed Bank Deposits

The Finance and Investment Division has received from Trade Commissioner E. D. Hester, Manila, a report on the above subject, including copy of Act No. 3936, requiring banks, trust companies, savings and mortgage banks, mutual building and loan associations and banking institutions of every kind to transfer unclaimed balances held by them to the Insular Treasury;

Far Eastern Financial Notes No. 131--16.

and a copy of the Philippines Herald of February 28, 1933, giving publication of unclaimed deposits held by the Bank of the Philippine Islands, the National City Bank of New York (Manila branch), China Banking Corporation, Philippine Trust Company, Philippine National Bank, and the Chartered Bank of India, Australia and China (Manila branch), as well as by El Hogar Filipino, and Manila Building and Loan Association.

Reports have not yet been submitted by the Hong Kong and Shanghai Banking Corporation, the Peoples' Bank and Trust Co., the Yokohama Specie Bank (Manila branch), nor by the Government's Postal Savings Bank.

The procedure will be as follows:

1. Publication of list of unclaimed deposits for three consecutive weeks.
2. Entry of claim by the attorney general of the Philippine Government in a court of first instance of Manila for Government possession of the then unclaimed balances, allowing 60 days for presentation of counter-claims by depositors or interested parties.
3. Hearing of claims and subsequent award to the general fund of the Philippine Treasury.

A reputable attorney can probably be found to effect the necessary intervention to handle any claims against these deposits, including court intervention, on a contingent fee of 25 per cent. Such attorney will require a notarial certificate certifying that he is to take such steps as may be necessary to reclaim said monies, giving and granting unto him full and complete power of authority to do any and all acts that may be necessary in and about the premises, including the right to compromise such amount as he may deem necessary.

Banks Remain Open (Trade Commissioner E. D. Hester, Manila, 3/11/33)

Business other than in sugar and hemp is at a standstill until Saturday, as no exchange transactions are possible. All Philippine banks remain open under strict supervision, by virtue of a special order of the Secretary of War, exempting them from the general holiday. The banks maintain their cash position at over 30 per cent. Credits are at a standstill and collections are difficult.

Philippine Government Finance and Budget, 1931 and 1932*

The Finance and Investment Division has received a report of the above title, from Trade Commissioner E. D. Hester, Manila, dated February 11, 1933.

Philippine Public Utility Profits, 1932* (Same source as above, report dated 2/28/33)

STRAITS SETTLEMENTS

(On March 28, one Singapore dollar = \$0.3944)

Singapore Municipal Budget for 1933*

A report on the above subject by Trade Commissioner Frank S. Williams, Singapore, is available.

TURKEY

(One Turkish pound is worth approximately \$0.47, 3/16)

Turkish Budget Balanced Again (Assistant Trade Commissioner Henry E. Stebbins, Istanbul, 3/6/33)

The Turkish budget for the year estimates receipts at over 175,000,000 Turkish pounds and expenditures at 174,994,620 Turkish pounds. The chief item of expenditure is an appropriation for the public debt amounting to 50,844,311 pounds, followed by the appropriation for the Ministry of National Defense of 47,092,200 pounds, the Ministry of Finance with 12,-296,487 pounds, and the Ministry of Public Works with 10,046,993 pounds.

Grosvenor M. Jones,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

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AUSTRALIA

(On April 11 one Australian pound = \$2.714)

Eight Months' Revenues Reported (Trade Commissioner James E. Peebles, Sydney, 3/6/33.)

Commonwealth revenues from customs and excise for the first eight months of 1932-33 were £22,364,590, or £3,964,590 above budget estimates for that period and £3,516,812 more than in the corresponding period of the previous fiscal year.

State Revenues during the first Eight Months of 1932-33 (Same source)

State	8 months ended February 29, 1932	8 months ended February 28, 1933
New South Wales	£8,464,563	£9,695,887
Victoria	6,027,806	7,333,182
Queensland	1,794,326	2,186,135
South Australia	1,218,308	1,512,535
Western Australia	1,116,182	1,395,742
Tasmania	221,707	239,038
North Australia	4,831	2,014
Federal Capital Territory	55	57
Total	18,847,778	222,364,590

Cost of the Depression to the State of Victoria*

The Finance and Investment Division has received a report from Consul John W. Dye, Melbourne, dated February 24, 1933, on the above subject.

Low Money Rates (The Australasian Insurance and Banking Record, Melbourne and Sydney, Feb., 1933)

Further reductions in interest rates on Commonwealth treasury bills and on new fixed deposits in the Commonwealth Bank and the trading banks in Australia have been announced during the last few weeks. The level of rates thus established for fixed deposits is the lowest for many years past. In 1913 and 1914, after a hardening period, the rate for two year's deposits in Melbourne and Sydney was 4 percent, while at the beginning of 1911 the rate was 3 1/2 percent. The highest rate since reached for two year's deposits was 5 1/4 percent in 1930, compared with which the rate of 3 percent now adopted shows a reduction of 2 1/4 percent. The present low level, which is parallel to money rates ruling in other parts of the world, represents a return to the stagnation which prevailed during part of the nine-ties, when prices were low and enterprise was limited. During recent years in Australia the fixed deposit system has been favored by those who have money to invest and there has been a substantial growth in the total so employed.

BRITISH INDIA

(On April 11 one rupee = approximately \$0.2567)

India's 1933-34 Budget Proposals (Trade Commissioner George C. Howard, Calcutta, 3/2/33.)

In the budget proposals for 1933-34 the following features are noted:

1. A surplus of Rs.21,700,000 to be carried forward from 1932-33.
2. Decreases in both revenue and expenditure as compared with previous budget as follows:

	<u>Budget (in millions)</u>	
	1933-34	1932-33
Revenue.....	Rs.1,245.2	1,299.6
Expenditure.....	<u>1,241.0</u>	<u>1,228.1</u>
Balance.....	4.2	71.5

3. Continuation of all present tariff rates, income-tax rates, etc.
4. Reimposition for three years from July, 1933, of stamp tax on checks and demand bills of exchange.
5. Increased import tariff rates on uppers for boots and shoes except those of leather. Minimum specific duties, with slight increase in ad valorem rates, on rayon piece goods and mixtures.
6. Restoration of half the 10 percent cut in pay of Government servants.

Comparisons of revenues and expenditures on capital account in the 1932-33 and 1933-34 are reported as follows:

Expenditures

	<u>In millions of rupees</u>		
	Budget	Revised	Budget
	<u>1932-33</u>	<u>1932-33</u>	<u>1933-34</u>
Railway Capital outlay.....	41.5	8.1	33.0
Other capital outlay.....	15.0	15.2	12.3
Provincial drawings.....	106.2	56.4	43.7
Discharge of permanent debt.....	265.6	694.8	371.0
Discharge of treasury bills -			
(a) with the public.....	75.1	195.3	80.0
(b) in the paper currency reserve.....	---	143.9	---
Repayment of ways and means advances.....	---	95.0	---
Loans and advances by central Government.....	2.6	7.6	7.2
Other transactions.....	<u>0.6</u>	<u>15.3</u>	<u>- 25.3</u>
	506.0	1,231.6	522.9

Revenues

Revenue surplus.....	21.5	21.7	4.2
Rupee loans (net).....	145.0	801.1	120.0
Sterling loans (net).....	80.0	126.7	80.0
Post Office cash certificates and savings			
bank.....	70.0	143.5	84.0
Other unfunded debt.....	47.1	36.7	49.6
Appropriation for reduction or avoidance of			
debt.....	68.2	68.4	68.8
Depreciation and reserve funds.....	5.2	- 9.1	- 2.0
Reduction of cash balances.....	<u>69.6</u>	<u>42.6</u>	<u>117.3</u>
	506.6	1,231.6	521.9

INDIA

Rupee Loan Closes (Trade Commissioner J. Bartlett Richards, Calcutta, 3/9/33.)

The 500,000,000-rupee loan closed February 28 and the Controller of Currency reports that conversions have amounted to 333,100,000 rupees. It is believed that a few additional returns from small upcountry stations will bring the figure up to 335,000,000 rupees. This is considered fairly satisfactory, although it seems likely that the Government may have to borrow more than 40,000,000 rupees as suggested in the budget speech.

Description of the New 5-Rupee Note*

The Finance and Investment Division has received a detailed description of the new 5-rupee note, from Trade Commissioner J. Barlett Richards, Calcutta, 3/10/33.

Increase Brings Gold Price Close to Importation Point (The Financial News, Bombay, 2/27/33.)

Since February 24 there has been a steady increase in quotations for gold, which rose rapidly during the last two days until spot gold improved to Rs.30-1-6. This increase in the domestic price of gold was due to the scarcity of supply and not to the movements of sterling-dollar exchange. As a matter of fact, the rise in the rupee price of gold preceded and led

to the decline in sterling. The technical position in the local market is very strong, in view of the scarcity of actual gold. This state of affairs will continue at least to the end of the Fagan (March) settlement and it will give a warning to short-sellers in general. That gold cannot be profitably purchased at the present parity is obvious and the gold exports that may take place in the near future should necessarily have been bought previously at lower prices. If this state of affairs continues for some time more the rupee price of gold may perhaps improve to import parity.

Bombay Port Trust Report (Trade Commissioner J. Bartlett Richards, Calcutta, 3/9/33.)

The Bombay Port Trust revised estimate for 1932-33 shows a deficit of 1,931,000 rupees against the anticipated deficit of 865,000 rupees, due partly to the Bombay riots, which caused delays in unloading and impaired confidence. The 1933-34 budget estimates a deficit of only 75,000 rupees. The annual report of the Port Trust makes the usual reference to competition from the Kathiawar ports whose trade continues to increase on account of the particular advantages they offer as a result of the fact that they can keep their customs revenues. Total imports through Kathiawar ports amounted to 330,000 tons in 1932 compared with 303,000 tons in 1931. In Bhavnagar, the principal port, imports were 150,000 tons in 1932 compared with 68,000 tons in 1931 and it is claimed that most of the increase was at the expense of the port of Bombay.

CHINA

(On April 11 one yuan = \$0.2044)

The Foreign Banks and the Currency Change (Consul Edwin C. Cunningham, Shanghai, 4/8/33.)

Conversion of accounts from taels into new yuan will not be made by foreign banks until members of Foreign Exchange Bankers Association come to agreement on some means of effecting change. The association is now studying how to make conversions. In the meantime, tael transactions can still be made at foreign banks. Commencing April 10, all foreign banks will quote foreign exchange in yuan instead of taels.

Abolition of the Haikwan Tael (Commercial Attache Julean Arnold, Shanghai, 3/14/33.)

Following is the text of Customs Notification No. 1282, abolishing the Haikwan tael on March 10 and substituting therefor the new standard silver dollar, which will be officially known as the yuan. The commissioner of customs does not use the word yuan, but it is believed that that designation will be officially adopted, and that all departments of the Government will refer to the new standard silver coin as the "yuan" rather than the dollar.

"The public is hereby notified that the Government instruct that on March 10, 1933, the Haikwan tael is to be abolished. Instead the new standard silver dollar will be used. This standard dollar which is 0.880 fine and contains 23.493448 grams of pure silver, has a fixed exchange value of seven mace one candareen and five cash of a Shanghai tael. The Haikwan tael equivalent, therefore, is Haikwan taels 100 = Shanghai dollars 155.80. On and after March 10, 1933, all export and interport duties and surtaxes and dues hitherto collected in Haikwan taels are to be collected, and values of all native goods for statistical and all other purposes to be clearly stated in standard dollars. Pending general circulation of standard dollars, other silver dollars circulating locally at par with Sun Yat Sen dollars will be accepted in lieu of standard dollars, while other currencies will be accepted only at market rates. Import duties and other gold-unit levies remain unaffected."

Tael Ordered Abolished; Duty on Silver Exports (Office of Commercial Attache, Shanghai, 4/7/33.)

Commencing April 6, Chinese banks, exchanges, and commercial concerns will discontinue using the tael unit. The official monetary unit of China is the yuan. To facilitate the circulation of silver coins, the Government is levying an export tax of 2 1/4 percent on silver, other than silver bars stamped by the new Central Government mint.

Abolition of the Tael*

This Division has received a copy of an article by E. Kann on The Abolition of the Tael, copied from the Shanghai publication "Inspection and Commerce" of February 1933.

"Central Bank Exceptionally Sound" (China Weekly Review, 3/18/33.)

The 154th examination (March 10) of reserves held against note issue by the Central Bank of China shows that dollar notes and subsidiary coin notes in circulation aggregated 44,176,230 yuan. Reserves against same include cash, 36,697,280 yuan, and securities 7,479,000 yuan. The total amount of customs gold unit notes in circulation fully secured by gold is C.G.U. 420,281.

Manchukuo Bank Declares its Initial Dividend (Same source.)

The Bank of Manchukuo declared its first dividend at the rate of 6 percent at its first general meeting of the shareholders, February 28 in Hsinking. The total income for the period since June 15, when the bank was inaugurated, was 6,657,000 yen and the expenditures 6,294,000 yen, leaving a surplus for income of 362,000 yen.

Out of the net income, the bank set aside 30,000 yen as the fund providing for unexpected losses, 10,000 yen for the dividend payment, and 80,000 yen as the special reserve. Approximately 225,000 yen will be distributed among the shareholders, according to the disposition. The shareholders unanimously approved the disposition method.

South Manchuria Railway Takes Over All Railways in Manchuria (Assistant Trade Commissioner Louis C. Venator, Mukden, 3/3/33.)

An official statement of March 1 confirmed earlier reports that the management of all railways in Manchuria had been turned over to the Japanese-owned South Manchuria Railway.

Competition between Chinese-owned railways and the South Manchuria line was one of the important factors which brought about the Japanese occupation of Mukden and the consequent declaration of independence by Manchukuo. This competition has now been eliminated and all of the other lines operate as feeders to the South Manchuria line, or at least as part of a South Manchuria Railway system.

The other railways of Manchuria may continue to operate small purchasing departments, but it is expected that all important purchases will be made through the South Manchuria Railway. This line has always shown a preference to Japanese manufacturers and no change in this policy is expected..... The obligations of the various Chinese-owned lines to the South Manchuria Railway have been lumped and total 130,000,000 yen.

Suggests Embargo on Silver Exports (Finance and Commerce, Shanghai, 3/15/33.)

Chinese bankers have repeatedly expressed, in the columns of "Finance and Commerce" their strong opposition to measures calculated to give silver an artificial value. In an

article in that magazine of March 15, 1933, Y. C. Koo, of the Chung Foo Union Bank, goes one step further. Far from agreeing with Senator Pittman and his friends in the United States, who argue that a substantial increase in the price of silver would be to China's advantage, he strongly urges an embargo upon the export of silver from China as a safeguard against the menace represented by the various proposals now being submitted to the American Congress. If those measures are passed he considers that there would be a raid upon silver which would leave the country in such quantities that confidence in the soundness of the national dollar would be undermined and financial panic and chaos would result.

Investment Company for Manchuria (Japan Weekly Chronicle, 3/9/33.)

The South Manchuria Railway having been entrusted with the management of all railways in Manchuria by the Manchukuo Government together with further railway construction, has decided to increase its capital and will issue shortly 600,000 out of 7,200,000 shares to be eventually offered for subscription.

On the other hand plans for the establishment of a Manchukuo investment company are making rapid headway and already about 5,000,000 yen has been subscribed.

The authorities are anxious that the shares should be distributed widely among the general public.

EGYPT

(One Egyptian pound = \$3.50 on April 11)

1932 Report of the National Bank of Egypt* (George Lewis Jones, Commercial Attache's Office, Cairo, 3/20/33.)

The Bureau has received report of the National Bank of Egypt for the year 1932.

JAPAN

(On April 11 one yen = approximately \$0.2119)

Budget for 1933-34 (Japan Trade and Economic Letter, February 1933.)

Japan's 1933-34 fiscal year budget as approved and sanctioned by the Emperor and promulgated is as follows:

<u>Revenues ordinary:</u>	<u>Yen</u>
Taxes.....	691,815,193
Stamps.....	67,307,320
Government undertakings (Monopolies).....	458,368,651
Bank of Japan's account.....	27,348,311
Sundry revenues.....	27,102,048
Account transferable from special account.....	<u>17,085,020</u>
Ordinary revenue.....	1,289,026,543

<u>Revenues extraordinary:</u>	<u>Yen</u>
Government property sold.....	3,918,100
Sundry revenue.....	18,437,778
Revenues from public under- takings.....	7,858,227
Revenues from public under- takings allotted.....	11,509,717
Revenues as encouragement of research work.....	49,500
Transferable from special account.....	8,745,765
Revenue from account of guarantee on foreign export.....	796,000
Bond issues.....	<u>895,231,897</u>
Total.....	950,067,772
 Grand Total.....	 2,239,094,315

Expenditures for 1933 Budgeted

	<u>Ordinary</u> Yen	<u>Extraordinary</u> Yen
Imperial household.....	4,500,000	-
Foreign Office.....	16,326,706	10,063,512
Home Department.....	49,706,244	168,722,800
Finance Department.....	433,100,096	41,039,293
Army Department.....	172,119,330	275,763,922
Navy Department.....	178,822,411	193,783,927
Judicial Department.....	32,826,690	1,663,599
Education Department.....	129,280,973	22,565,068
Dept. of Agr. and Forestry.....	28,880,947	88,501,364
Dept. of Commerce and Industry.....	5,274,549	8,503,488
Communications Department.....	305,144,227	44,790,852
Department of Overseas Affaires.....	<u>1,954,106</u>	<u>25,760,211</u>
Total.....	1,357,936,279	881,158,036
 Grand Total.....	 2,239,094,315 Yen	

National Debt at the End of February 1933 (Commercial Attache Halleck A. Butts, Tokyo, 3/18/33.)

Japan's national debt at the end of February 1933, as reported by the Department of Finance, Tokyo, was as follows:

<u>Domestic:</u>	<u>Outstanding Amount</u> Yen
5% National loans.....	1,840,430,025
5% " " extra.....	120,816,950
5% " " mark "K0".....	396,702,750
4% " " first issue.....	165,006,600
4% " " second issue.....	94,538,500
5% Exchequer bonds.....	2,333,501,900
4½% " " 	<u>400,000,000</u>
Total.....	5,350,996,725

<u>Foreign:</u>	<u>Outstanding Amount</u>
	Yen
4% Sterling loans, first issue.....	91,337,746
	(£ 9,355,500)
5% " "	222,670,989
	(£ 22,807,640)
4% Loans issued in Paris.....	161,063,982
	(F 416,186,000)
4% Sterling loans, third issue.....	105,428,684
	(£ 10,798,800)
6½% American dollar loans.....	254,322,285
	(\$ 126,780,800)
6% Sterling loans.....	232,605,037
	(£ 23,825,160)
5½% " "	122,036,524
	(£ 12,499,900)
5½% American dollar loans.....	142,426,000
	(\$ 71,000,000)
South Manchurian R'y. Co. Sterling loans	58,578,000
	(£ 6,000,000)
Total.....	1,390,469,247
Total national debt.....	6,471,465,972
Treasury bonds.....	300,000,000
Rice notes.....	189,589,742

Supplementary Budget for 1933-34 (Same source, 3/20/33.)

A budget supplementary to that of next year in the amount of 64,000,000 yen has been approved by the Diet; 31,000,000 yen has been allocated to the navy, and 17,600,000 yen to the Home Department for relief work.

Farm Relief Loans Planned (Same source.)

A Government bill authorizing low interest farm loans of 200,000,000 yen passed the Lower House March 16 and will probably pass the House of Peers. Loans will be made through the Deposits Bureau. The bill specified that the Government shall bear 20 percent of any losses and the prefectures 10 percent.

Details of the Exchange Control Bill (Same source.)

The Exchange Control Bill has been adopted and will become effective April 1. A special bureau for the operation of this bill will be set up in the Ministry of Finance. An additional interpretation of this bill was declared during the Diet sessions. The original purpose was to insure the drawing of export bills at the time of shipment to prevent accumulation of funds abroad. Its scope has been widened so that the bureau may also control the exportation of commodities. The Government is of the opinion that the wholesale exportation of electric bulbs and rubber footwear has been injurious to those industries. Therefore, reckless competition among domestic industries for foreign business and the resulting unfavorable action of foreign countries through large importations is now to be restricted. A fine of three times the value of the goods is proposed for infringements of this feature of the law, which is to be enforced for three years.

Newspaper Advises on Inflation (Trans-Pacific, 3/9/33.)

Currency control in Japan must be based on the principle of "reflation," but the open market operations of the Bank of Japan since the year-end ignored this principle. They were evidently based on deflation, accelerating the falling trend of commodity and stock prices and finally inviting public criticism. If the Bank of Japan lacks a correct conception of what a currency policy should be, its market operations will simply hold back financial development of the country.

At present there is need for a certain amount of currency inflation and cheap money. The Government must issue new bonds for acceptance by the Bank of Japan alone, and their terms must not be such as to affect the value of bonds already issued. During the balance of the present fiscal year, at least 200,000,000 yen of bonds are to be issued. These should be exclusively for acceptance by the Bank of Japan and the terms should be as favorable as possible. During the next fiscal year, 1,000,000,000 yen of bonds will be issued, and in the ensuring year an additional amount. To help maintain the market price of bonds, the terms of issue must be favorable.

The Yokohama Bank and the Exchange Market (Japan Weekly Chronicle, 3/2/33.)

The Yokohama Specie Bank, which used to do about 50 percent of the foreign exchange business of Japan, now handles approximately 70 percent. The bank is therefore in a position to dominate the market.

In accordance with the application of the Flight of Capital Prevention Law, the Ministry of Finance has been ordering all exchange banks to submit daily reports of their interbank transactions the following day. This has been effective in diminishing speculation, and there is naturally a marked shrinkage in the volume of trading.

Note Issues at the End of February 1933 (Commercial Attache Halleck A. Butts, Tokyo, 3/18/33)

The outstanding note issue on February 28, 1933, as officially reported by the Department of Finance, Tokyo, was as follows:

	<u>Yen</u>
Bank of Japan notes outstanding.....	1,117,494,201
Bank of Chosen notes outstanding.....	108,790,677
Bank of Taiwan notes outstanding.....	42,934,197
Government small notes outstanding..	<u>11,260,000</u>
Total.....	1,280,479,075

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 38,518,882 yen on February 28, 1933.

Bank of Japan Note Issue (Bank of Japan, Tokyo.)

Following is a statement of average note issues during the week ended March 18, 1933:

(Millions of yen)

Notes issued.....	1,003.6
Reserves:	
Gold coin and bullion..	425.0
Government bonds.....	392.7
Government securities..	22.0
Other securities.....	54.7
Bills and notes.....	<u>109.2</u>
	1,003.6

Bank Profits Reported (The Trans-Pacific, Tokyo, 3/9/33.)

The Bank of Taiwan's net profit for the last half-yearly term totaled 494,874 yen. The Mitsui Bank's net profit for the last half-yearly term totaled 5,404,000 yen.

Bank of Japan Open Market Operations (Trans-Pacific, 3/2/33.)

Circumstances have made it difficult for the Bank of Japan to carry on open-market operations, the main reason being that the bank's holdings of short-term securities, such as treasury notes, have become insufficient. According to Rengo News Agency, the bank has only 13,000,000 yen in treasury notes and these are expected to be all sold within the next month. The bank has not a large amount of other short-term bonds, having sold most of such holdings in 1928, when the money market was slack.

Lower Money Rates Foreseen (Commercial Attache Halleck A. Butts, Tokyo, 3/25/33.)

It now seems that the lowering of bank-deposit interest rates will soon become a necessity. There is little or no demand for industrial loans. At present most of the private bank's funds not on deposit with the Bank of Japan are invested in treasury bills, rice notes, and call loans which are much less profitable than commercial loans. It is for this reason that lower rates may possibly be anticipated within the next 60 days.

Gold Purchases by Government (Same source.)

Gold purchases were resumed by the Government on March 20 at a buying price of 9.29 yen per momme. (One momme = 0.12057 troy ounce.) This rate appears to be based on a dollar exchange rate of 21 cents per yen.

Government Now Favors Lower Prices at Home (Same source.)

The Government has taken cognizance of increased living costs. It was only a year ago that the Government was actually encouraging higher prices through permitting association agreements to maintain prices. The attitude has now been reversed where there is any evidence of excessive prices. This is due to the desire of the Government to prevent social unrest, for several years a serious problem. Industrial companies may be required to report monthly regarding their production, sales, stocks of goods on hand and statements of profit and loss.

In this connection, retail and wholesale prices compiled by the Bank of Japan and by the Tokyo Chamber of Commerce -- both covering conditions in Tokyo -- indicate a decline.

The Bank of Japan figure as of March 15 indicates a drop of 1.1 percent from February 15 in the retail price index. This percentage reflects an equivalent percentage drop in prices of foodstuffs, light and fuel, and clothing. The wholesale price index as of March 1 is 3.5 percent below the previous month though still 18.5 percent above March 1, 1932.

Japanese Authorities Considering Open-End Debentures (Same source.)

The Ministry of Finance is now encouraging the so-called "open mortgage system," a method of protection to bondholders practically unknown prior to the loans made by American and British bankers to the electric power industry. In a proposed bill revising the Mortgage Bond Trust Act, mortgage bonds would largely supplant the present unsecured debentures of many industrial companies. It is estimated that the mortgage system can be applied to present outstanding debentures aggregating about 3,000,000,000 yen of which less than 25 percent is secured obligations, largely Japanese debentures issued abroad. The new system will probably be made compulsory as regards electric power and railway companies, since investors are not eager to purchase such securities at this time.

Financial Notes (Office of Commercial Attache, Tokyo.)

Purchases of gold bullion have been resumed by the Government.

Final figures have been announced showing public bond issues of 1,026,626,000 yen scheduled.

The budget, including earthquake relief, totals 2,309,414,000 yen.

The first shipment of gold bullion this year has been made to the United States.

A new issue of exchequer bonds totaling 3,000,000 yen has been well received.

NETHERLAND INDIA

(On April 11 one florin = approximately \$0.4040)

Netherland Indian Public Finances During 1932 (Trade Commissioner Richard P. Hendren, Batavia, 2/22/33.)

Entering the year with a deficit of some 181,000,000 guilders, the Government was forced to adopt measures to preclude the possibility of a further deficit in 1932. Taxes of all sorts were increased, government employees' salaries reduced, and various governmental departments merged. These measures were partially successful, in that the deficit for 1932, 152,000,000 guilders, was below revised budget estimates.

During the year a loan for 106,000,000 guilders was floated as part of the 250,000,000 guilder loan authorized by the Netherlands in December 1931. It is expected that a similar loan will be floated in the Netherlands during January 1934 to absorb the balance of the original loan, and that the money thus obtained will remain in Holland.

Currency in Circulation Declines (Quarterly Review of Economic Conditions in Southeastern Asia, Fourth Quarter, 1932.)

Owing to the steadily dropping volume of business and declines in commodity prices, notes in circulation declined from 239,000,000 guilders on January 1, 1932 to 205,000,000 guilders on December 31, 1932. Silver coins returned to the bank of issue totaled 10,000,000

guilders, indicating a decided shrinkage in natives' purchasing power, while 39,000,000 guilders of gold obtained from natives' coins and trinkets, were exported. It should be pointed out that these coins and trinkets were formerly considered as reserves of the natives

NEW ZEALAND

(On April 11 one New Zealand pound = approximately \$2.7179)

Report on New Zealand Debt Conversion*

From Consul General Calvin M. Hitch, Wellington, under date of March 8, 1933, the Finance and Investment Division has received report No. 62466 on the above subject.

Assistant Trade Commissioner Eugene West has submitted specimen documents connected with the conversion of New Zealand's internal debt, namely, the prospectus, application and dissent forms; also, copy of a letter sent to all householders in New Zealand by the Government, in view of the fact that only a small percentage of the bond holders were listed.

PHILIPPINE ISLANDS

(One peso = *approximately \$0.50)

Texts of Philippine Proclamations (Trade Commissioner E. D. Hester, Manila, 3/15/33.)

Proclamation No. 559 issued by the Governor General March 9 proclaimed "to all banks, financial institutions, commercial interests, and persons resident in the Philippine Islands the order of the Secretary of the Treasury of the United States made under authority granted to him by the Proclamation of the President of the United States of March 6, 1933."

Proclamation 559 added, "Further advices from the Secretary of the Treasury state that the transactions anticipated under the above order are those authorized under Section 1621 of the Revised Administrative Code of the Philippine Islands.

Executive Order No. 414 of March 9, 1933, had to do with essential exchange transactions and, moreover, provided that there be no withdrawal from the Treasury of the Philippine Islands of any gold coin or gold certificates of the United States.

A Letter from the Governor General to the director of the Bureau of the Posts, dated March 9, instructed him to enforce rigidly the laws and regulations in respect to money orders, and to place certain restrictions on money-order business.

A letter from the Governor General to the Insular Collector of Customs, dated March 9, 1933, ordered that official:

1. To enforce rigidly the requirements of Act No. 1411 forbidding the exportation from the Philippine Islands of Philippine silver coins.

2. To prevent and to make such examinations as may be necessary to prevent individuals from taking away from the Philippine Islands to any foreign country or to the United States, in their baggage or on their persons, gold or silver bullion, gold coin or gold certificates of the United States.

3. To prevent and to make such examinations as may be necessary to prevent the export of gold or silver bullion, gold coin or gold certificates of the United States to any country except by through bill of lading or registered mail to the United States or its territories and possessions.

4. To report to the Governor General and the Secretary of Finance full details concerning any attempt to export the items mentioned in the above instructions.

TURKEY

(One Turkish pound = approximately \$0.47 3/16)

Restrictions for the Protection of the Turkish Currency, and for Regulating Foreign Exchange Transactions - Decree No. 10*

Under date of March 22, 1933, Commercial Attache Julian E. Gillespie, Istanbul, submits a 33-page report consisting chiefly of the text of the above decree. Decree No. 10 abolishes and replaces Decrees Nos. 1 to 8 inclusive.

The purchase and sale of foreign exchange and currency through banks and bankers authorized by the Minister of Finance is permitted, if such purchase and/or sale of exchange conforms to the "List of Requirements." However, those persons or institutions authorized to trade in foreign exchange must keep the foreign exchange controller duly informed of every such transaction and submit the required vouchers and documents, or other information whenever they are requested.

No onerous restrictions are placed on the purchase and sale of foreign exchange for strictly commercial transactions, that is for the payment of bills, drafts, etc., covering merchandise actually purchased and imported into Turkey. In actual practice, importers are simply required to present their invoices and customs and transaction receipts, showing that the customs duty and the transaction tax have been paid on the merchandise invoiced, and the necessary foreign exchange is issued immediately. In principle the importer has only to furnish adequate proof that the transaction is bona fide. In the case of making payment for merchandise not yet cleared from customs the exchange may be authorized and obtained if the importer files a bank guaranty that the necessary formalities will be completed.

From a study of the new "List of Requirements" it would appear that all reasonable needs of merchants and importers for foreign exchange in the course of legitimate business may be satisfied. Local branches of foreign companies operating in Turkey may transmit their receipts to their main office and obtain foreign exchange for same if authorized by the Ministry of Finance. Reasonable amounts of foreign exchange are permitted for students, persons in need of medical attention, and business men traveling abroad. Also, reasonable amounts may be purchased for Turkish nationals and foreigners living abroad, if their income is either partially or wholly obtained from investments in Turkey.

To sum up, it appears that the law and the various administrative measures are sufficiently elastic to take care of strictly commercial transactions covering merchandise imported and of reasonable or necessary personal requirements of a legitimate character. On the other hand, there is no doubt that more strict government control will be exercised to curb and discourage the indiscriminate buying and selling of "uncovered" foreign exchange; to prevent speculation locally; and to stop the conversion of Turkish into foreign currencies and its subsequent exportation.

Far Eastern Financial Notes No. 132--14.

Gold Stock Increased During 1932 (Consul Charles E. Allen, Istanbul, 3/22/33.)

The Central Bank of the Turkish Republic steadily increased its gold stocks throughout the year. As a result, Turkey is said to be sounder financially at the close of the year than the majority of her neighbors. The artificial maintenance of the exchange value of the currency continued, however, to be a major policy, and a very strict control of exports of capital remained in effect.

GROSVENOR M. JONES,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 133.

May 5, 1933.

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

AUSTRALIA

(On April 26 one Australian pound = \$3.021)

Bank Clearings Increasing (Trade Commissioner E. C. Squire, Sydney, 3/22/33.)

Bank clearings in Sydney and Melbourne show a rather decided increase from the first of January up to the middle of March, even after allowance is made for the marketing of agricultural products and Government financing.

CHINA

(One yuan on April 26 = \$0.2370)

Bank Profits Announced (Commercial Attache Julean Arnold, Shanghai, 4/14/33.)

The Bank of China's net profits for the past year are reported at 1,850,000 yuan and those of the Bank of Communications, 400,000 yuan.

Emigrant Remittances Estimated (Same source.)

The Bank of China estimates remittances to China from Chinese overseas during the last year as follows, in millions of yuan: From United States, 186; from the Straits Settlements, 117; from other places, 24; total, 320.

Gold Exports (Same source.)

China's exports of gold last year were valued in haikwan taels at 70,000,000.

Replacement of the Tael Proceeds (Same source, 4/21/33.)

Local business houses and banks continue to adjust transactions in order to conform with the Government regulations for the abolition of the tael unit. As a result the yuan is rapidly becoming the sole monetary unit.

American mint-operating experts will arrive in Shanghai in the near future. They have been engaged to superintend the operations of the new central mint in this city.

Report on Government Currency Order (Consul Edwin S. Cunningham, Shanghai, 4/7/33.)

The Minister of Finance in orders dated April 5, 1933, to native banks stated that from April 6, 1933, all public and travelers' financial transactions must be made in standard "dollars" (yuan) and not in taels; that all obligations in Shanghai taels shall be converted at the official rate (715 taels per thousand yuan); that all obligations payable in ports other than Shanghai shall first be converted to Shanghai taels at the exchange rate of April 5 and then into standard yuan at the official rate, and that all business contracts and documents for receipts or payments made in taels after April 6 shall be considered illegal.

According to local banking circles, the Ministry's action, which was expected, was precipitated by a shortage of taels at the central bank. The Shanghai Bankers Association (Chinese) and the Shanghai Native Bankers Association have published resolutions to carry out the Ministry's orders; all tael drafts and checks dated prior to April 6 will be cashed in dollars at the official rate; bills dated subsequently will be refused payment unless drawn to conform with the orders; all tael accounts will be immediately converted into yuan at the official rate.

Managers of foreign banks stated that the effect of the Ministry's orders on foreign banks will be the same as on native banks, and that conversions will be commenced within a few days. Foreign banks could continue transactions in taels among themselves, but operations would be too cumbersome and would serve no useful purpose.

Chinese Proposes a Silver Embargo for China (Same source, 3/17/33.)

In the China Press for March 14, 1933, Mr. Y. C. Koo contends:

1. That the price of silver cannot be permanently held on a high level by the expenditure of United States Government funds to maintain it;
2. That enhancing the value of silver in terms of the (American) dollar will not help the United States but that China will thus suffer a deadly deflation and price fall unknown in China's history;
3. That the mild boom in China during 1929-30 was coincident with (and due to) an influx of silver into China and an export of gold from China which maintained Chinese price levels (while silver depreciated internationally);
4. That with the abandonment of the gold standard by Great Britain and other countries, sudden deflation appeared in 1931 accompanied by the fall of commodity prices and widespread commercial failures in China;

5. That China is rapidly being drained of gold and may soon have to begin foreign shipments of silver, and

6. That shipments of silver by China, and the raising of the international value of silver, would tend disastrously to depress price levels in China.

To forestall the evil effects on China of a rise in the international value of silver, Mr. Koo proposes an embargo on the exportation of silver from China. A silver embargo, Mr. Koo feels, will

1. Save China's silver stock and inspire Chinese confidence in the Chinese dollar;
2. Appreciate foreign currency and level off somewhat the visible unfavorable trade balance;
3. Maintain or appreciate China's domestic price levels;
4. Increase Customs revenues, and
5. Strengthen the exchange control of the Central Bank of China (the virtual Government bank).

In concluding Mr. Koo suggests that China should not lift the silver embargo until "after the American Purchase Program is over and proved a failure."

China and the Silver Market (E. Kann in Finance and Commerce, 3/22/33.)

China continues to maintain market quotations under parity. Therefore China is selling silver abroad every day to speculators of Europe and India. On March 17, one local bank shipped 500 silver bars to America whence they had originally come.

Notification of Duty on Silver (Consul General Edwin S. Cunningham, Shanghai, 4/8/33.)

Shanghai customs notifications No. 1290 dated April 7, 1933, follows:

"The public is hereby notified that in accordance with Government instructions from the 6th of April this year a duty of $2\frac{1}{4}$ percent ad valorem will be levied on export abroad of silver sycee, silver bars, silver ingots, silver slabs and silver in mass. This duty, however, will not be levied on export abroad of central mint bars."

China's Silver Duty (Samuel Montagu and Co., Weekly Bullion Letter, 4/12/33.)

(More light on the reasons for China's export duty on silver appears in the following item):

It was announced April 6 that the Chinese Government now require transactions to be made in terms of new silver dollars instead of in taels; the new dollars are exchangeable for taels on the basis of 100 yuan for 71.50 taels. The "Times" (London) Shanghai correspondent under date of April 7 stated that "in making the dollar (yuan) the only legal currency the Government apparently expect to force the banks to desert the tael and in furtherance of this object have, in addition, imposed a $2\frac{1}{4}$ percent export duty on silver in order to induce the banks to have their silver minted, the cost of mintage being the same as the new duty."

Chinese Ship Silver; No Embargo Expected (Commercial Attache Julean Arnold, Shanghai, 4/28/33)

It is estimated that 10,000,000 ounces of silver are being exported from Shanghai to America in connection with the recent sudden advance in American silver quotations. It is reported that some shippers are stipulating options for return of the bullion in the same vessels in which exported, in the event of later Chinese market quotations favoring reimportation before the cargo is delivered in America. It is reliably reported that there is no truth in current rumors that the Chinese Government contemplates increasing the existing export duty on silver or placing an embargo or other restriction on silver exports.

Articles on Silver

Finance and Commerce of March 29, 1933, contains an article on Senator Key Pittman's plan for payment of the British war debt installment in silver and also an article by Mr. Y. C. Koo of the Chung Foo Union Bank, Shanghai, entitled "An Open Letter to Senator Key Pittman on the Silver Question." The latter article expresses the viewpoint that an increase in the price of silver by artificial means is not to China's advantage.

"Japan Will Pay Chapei Foreign Sufferers with Bonds" (China Weekly Review, 3/25/33.)

The Japan Foreign Office will present an additional budget for 300,000 yen to the Finance Ministry for the relief of foreigners in Shanghai and Manchuria who suffered losses during the hostilities between the Japanese and the Chinese. According to the plan of the Foreign Ministry, a relief committee will be organized by the Director of the Asiatic Bureau, the Director of the Financial Bureau, and the Director of the Quartermasters' Department of the War Office, which will accept the reports from the claimants through the Foreign Office. The Committee will review the claims which will be paid in public bonds, if found reasonable.

INDIA

(One rupee on April 26 = \$0.2833)

Details of Conversion Loan Results (Trade Commissioner George C. Howard, Calcutta, 3/16/33.)

The following figures refer to the recent conversion loan: (rupees)

<u>Loan</u>	<u>Outstanding, end Nov. 1932</u>	<u>Amount converted</u>	<u>Balance still outstanding</u>
5 percent War Loan 1929-47.....	196,200,000	153,600,000	42,600,000
5 percent Bonds, 1933.....	113,800,000	70,000,000	43,800,000
6 percent Bonds 1933-36.....	<u>201,900,000</u>	<u>109,500,000</u>	<u>92,400,000</u>
	511,900,000	333,100,000	178,800,000

Revenues of Central Government (Same source, 3/30/33.)

Indian Government revenues for the 11 months April, 1932 to February, 1933, and during the corresponding period of each of the two previous years were as follows:

<u>Item</u>	<u>1930-31</u>	<u>1931-32</u>	<u>1932-33</u>
	Rupees	Rupees	Rupees
Land revenues.....	274,125,000	291,931,000	284,404,000
Salt revenues.....	60,860,000	69,261,000	94,939,000
Stamps revenues.....	108,204,000	103,065,000	108,124,000
Excise revenues.....	145,811,000	128,856,000	124,034,000
Customs receipts.....	434,478,000	414,455,000	469,831,000
Income taxes (including super-taxes and excess profits duty).....	130,006,000	138,766,000	140,406,000
Forest revenues.....	35,058,000	30,036,000	26,633,000
Opium.....	6,815,000	7,751,000	8,032,000

The Finance Bill's Passage (Same source, 3/30/33.)

The Indian Finance bill has been passed by the Assembly but the final form is as yet unknown to us. One amendment reported is a reduction of the income-tax to two pies per rupee for incomes between 1,000 and 1,500 rupees.

Banking in India (Same source, 3/22/33.)

In an address delivered at the opening of the Delhi branch of the Central Bank of India, Sir George Schuster, finance member of the viceroy's council, remarked:

"As against the total deposits of 1,130,000,000 rupees of the four largest Indian banks, the total deposits of the 'Big Five' of London amounts to nearly 23,500,000,000 rupees. As regards our own progress I may be permitted to say that out of seven British banks working in India the total deposit figures of only three of them exceed those of the Central Bank of India.

"I may be pardoned for further quoting a few figures in order to show you as to how slowly banking has been progressing in India and how much yet remains to be done:

<u>Country</u>	<u>Sq.miles</u> <u>per bank</u>	<u>Persons</u> <u>per bank</u>	<u>Deposits</u> <u>per bank</u> £ s. d.
United States..	118	3,056	86 0 0
United Kingdom	11	4,816	48 0 0
Japan.....	23	9,491	7 0 0
India.....	2,735	484,000	10 2

"Again in the matter of savings per head of population, India lags far behind other countries. Thus, in the United Kingdom while in 1911 the small savings of the British people averaged £16 per head, this figure doubled itself in 1921 and by the end of the next decade, that is in 1931, it attained the figure of £50 per head of population. As against this our savings come to only 5 rupees per head of population. These figures will make you appreciate the enormous work that still lies ahead of us by way of inculcating the banking habit in our millions. It would be no exaggeration to say that there are still about 500 towns in India with populations of 10,000 and over which enjoy no modern banking facilities beyond of course the institution of shroffs."

A Banker Comments on India's Gold Shipments (Times of India, 3/30/33.)

At the seventy-ninth annual meeting of the shareholders of the Chartered Bank of India, Australia and China, held March 29, 1933, in London, Mr. Arthur d'Anyers Willis, chairman, stated:

"In common with all primary producing countries India continues to suffer from the present world depression, but whereas other countries similarly placed see yawning gaps in their budgets, India has not had recourse to fresh taxation since 1931.

"The export of India's hoarded gold still continues, and between September 1931 and December 1932 this had reached the colossal figure of £85,000,000 -- the amount exported in 1932 alone being about £55,000,000.

"I would like to correct a misconception which appears to be held in some quarters that this all represents 'distress' gold, and that the ryot is being compelled to sell his gold ornaments, etc., for melting purposes to pay the tax-gatherer. It is, of course, unfortunately true that a proportion of the shipments comes under this category, but I am more inclined to think that the ryot, who is unusually shrewd in these matters, sees an opportunity of getting more rupees for his gold than he paid for it; that the proceeds of a good deal of this gold are not being spent is proved by the increase in Post Office deposits and sales of Savings Certificates during the past year.

"In any case, these continued gold shipments proved an inestimable boon to a harassed Government in maintaining the rupee exchange and strengthening the Indian Government's financial position. As proof of this, Indian sterling borrowings in London in 1931 were on a 6 percent basis for short-term money, whereas she was able to borrow last year on long term on a 4½ percent basis.

"Rupee borrowing has also fallen from 6½ percent to 4 percent."

Bombay Bullion Market Report (Trade Commissioner George C. Howard, Calcutta, 3/25/33.)

The Bombay gold market during the week ended March 24 was steady. Business was mostly interbazar, but toward the close there was increased interest on the part of exporters. An improvement in the arrivals of the metal from "upcountry" centers was noticeable and the daily offtake continued at 3,000 tolas, with stocks at approximately 350,000 tolas. (One tola = 3/8 ounce troy). During the week bar gold and sovereigns valued at 13,029,563 were exported from Bombay, as against exports valued at 9,914,731 rupees during the previous week. The total value of gold exported from Bombay since Great Britain went off the gold standard amounts to 1,179,798,319 rupees. Imports during the week totaled 118,673 rupees in bar and coin.

The Bombay silver market during the week ended March 24 was dull at the beginning, but improved toward the close. The daily offtake averaged 45 bars while stocks approximated 4,700 bars. Imports during the week amounted to 66,000 rupees in coin.

Bombay Bullion Market (Same source, 3/23/33.)

The Bombay silver market for the week ended March 17 showed sharp fluctuations due to speculative buying, and the volume of business put through in the bazar was large. The daily "offtake" averaged 35 bars, and stocks, 5,000 bars. Imports during the week amounted to 55,062 rupees in bar and coin.

The Gold and Silver Market (Same source, 3/16/33.)

The trend of the Bombay gold market for the week ended March 10 was downward, but subsequently improved. The volume of business was comparatively small, being largely confined to interbazar operations. The daily offtake was poor, being between 2,000 and 3,000 tolas, with stocks approximating 300,000 tolas. Total imports during the week amounted to 60,340 rupees in bar and coin. (One tola = 3/8 ounce troy.)

The Bombay silver market was firm, with a sharp rise in the price of "ready." The daily "offtake" continued at the low level of 45 bars, with stocks approximating 4,500 bars. Total imports during the week amounted to 292,585 rupees, all in the form of coin.

Burma Corporation's Silver Output Reported (Finance and Commerce, 3/23/33.)

From the report made at the annual meeting of the Burma Corporation, Ltd., held in January in London under the chairmanship of Sir Robert Horne, it is learned that the output of silver for the past business year was 5,842,789 ounces, a decrease of 670,000 ounces when compared with the preceding year. Being situated in India, it was only natural that the company should look to India as a natural market for the sale of its annual silver production. For the first time in its history the Burma Corporation has been unable to dispose of its silver output in India and the silver produced in India had to be shipped to London for disposal there in the open market.

JAPAN

(One yen on April 26 = \$0.2364)

Public Bond Total to be 1,026,625,000 yen - Government Borrowings for New Fiscal Year to Hit Highest Figure in History (Trans-Pacific, 3/30/33.)

The 1933-34 fiscal year's budget reached 2,309,414,000 yen, including the first additional budget and the second additional budget (exclusively for the relief of Sanroku district earthquake, which was adopted by the Diet Friday). Bond issues for both accounts thus will total 1,026,625,000 yen, creating an all-time record. Details follow:

1933-34 Budget for General Accounts

	<u>Yen</u>
Revenue:	
Ordinary.....	1,291,106,000
Extraordinary.....	<u>1,018,308,000</u>
Total.....	2,309,414,000

The extraordinary revenue includes 55,920,000 yen of ordinary income; 919,084,000 yen from bonds; 30,000,000 yen from loans; and 13,304,000 yen from accumulated surplus funds.

	<u>Yen</u>
Expenditures:	
Ordinary.....	1,364,976,000
Extraordinary.....	<u>944,438,000</u>
Total.....	2,309,414,000

1933-34 Bond Issues

	<u>Yen</u>
New Issues:	
General accounts	919,084,000
Special accounts	<u>92,726,000</u>
Total.....	1,011,810,000
"Delivery" bonds	<u>14,815,000</u>
Grand total	1,026,625,000

Public Debt on March 31 (Office of Commercial Attache, Tokyo, 4/20/33.)

Japan's public debt at the end of March was 7,050,000,000 yen.

Government Funds in Bank of Japan (Asst. Commercial Attache William S. Dowd, Tokyo, 4/8/33.)

The Government's current deposits in the Bank of Japan as of April 1 showed an increase of 129,540,000 yen over the week before, bringing the total to 375,358,000 yen. Specie coverage fell to 24 percent.

The New Exchange Control Regulations to be Issued (Same source, 4/8/33.)

It is reported that the Minister of Finance will issue the new exchange control regulations about the middle of April. These will be in compliance with the law passed in the last Session of the Diet. It appears, however, that there is still some obscurity in regard to the definition of "exchange speculation."

Enforcement of 1928 Banking Law (Japan Weekly Chronicle, 3/16/33.)

According to the annual report of the Kobe and Osaka Foreign Chambers of Commerce, only three banks remain "unadjusted," and these will shortly cease to exist.

Head of Bank of Japan May Retain Post (Trans-Pacific, 3/23/33.)

Financial circles are discussing the appointment of a successor to Mr. Kusakira Hijikata, governor of the Bank of Japan, but it is believed that he will be retained in the post unless there is a Cabinet change before the end of May, when his term expires, together with that of vice governor Eigo Fukai. According to Nippon Dempo, Dr. Eiichi Baba, president of the Hypothec Bank of Japan, Mr. Toyotaro Yuki, president of the Industrial Bank of Japan, or Mr. Seishiro Kimura, former vice governor of the central bank, is in line to succeed Mr. Hijikata.

Officials Report of Debts of Farms (Same source.)

In a report submitted by the Government to the House of Representatives on farm debts the total debts at the end of 1932 are roughly estimated at 4,546,000,000 yen. No statistics have been prepared by the Government on the average household debts in Japan, but, according to reports submitted to the Ministry of Agriculture and Forestry by Miyagi, Tottori, Hiroshima, Tokushima, Nagasaki and Miyazaki prefectures before the end of last year on the average debts of landlords, landed farmers, landed and tenant farmers and tenant farmers, the landlords are the heaviest debtors. The average debts of landlords in Miyagi Prefecture at 6,784 yen and the average debts of tenant farmers in Miyagi Prefecture at 690 yen.....

Financial Cooperation of Japanese and Russian Banks (Japan Weekly Chronicle, 4/6/33.)

The negotiations between the Bank of Chosen and the Dalbank (Russian Far Eastern Bank) concerning Russo-Japanese financial cooperation may take definite shape in the near future. Mr. Kata, governor of the Bank of Chosen will visit Manchuria next month and see Mr. Shapiro, governor of the Russian bank, at Harbin.

The management of the Bank of Chosen will not disclose details of the recent talks but it is reliably learned that Mr. Shapiro requested from the Bank of Chosen loans totaling nearly 10,000,000 yen. For such loans Soviet Russia is ready to hypothecate Santonin, platinum, and other goods exported to Japan. Accommodation to Russian economic organs in North Manchuria has also been asked by Mr. Shapiro.

Gold Bullion Price (Same source.)

The Department of Finance has now reduced its gold bullion purchase quotation by four sen to 9.25 yen per momme. (100 sen = 1 yen). The new quotation is based on \$21.19 per 100 yen exchange. (One momme = 0.12057 ounce troy).

Magazine States "Real Inflation Starts" (Same source.)

Inflation, which has been progressing invisibly, has now suddenly appeared on the surface. It is generally believed that commercial banks will soon find it necessary to reduce their interest on deposit accounts.

By issuing 315,000,000 yen worth of 4½ percent treasury bonds on March 30 the Government repaid 200,000,000 yen. The remainder, together with deposits amounting to about 50,000,000,000 yen at the Bank of Japan, will be diverted into the market as fiscal year-end payments. The Government has another payment of approximately 100,000,000 yen to be settled by the middle of next month. It is generally believed therefore, that the increase of market funds in the next two or three weeks will be 30,000,000 yen.

Gold Shipment to United States Totals Over 11,000,000 Yen (Assistant Commercial Attache William S. Dowd, Tokyo, 4/1/33.)

The first export of gold bullion, amounting to 11,185,350 yen, to the United States for 1933 was made March 28. Some comment has appeared in the press in regard to the reason for this shipment, which apparently was made to provide funds for necessary commercial transactions.

Japanese Money Hesitant in Manchuria (Same source, 4/8/33.)

A professor of Kyoto University, recently returned from Manchuria, reports that the Government there is somewhat disappointed at the apparent reluctance of the Japanese financiers to engage in financing industrial developments there.

The Japanese Money Market*

We have a report of the above title from American Vice Consul C. A. Hutchinson, Tokyo, dated March 24, 1933. Also one from Consul John B. Ketcham, Taihoku, Taiwan, Japan, dated March 29, 1933, entitled "Budget of the Taiwan Government General 1933-34."

Money Rates Lowered (Assistant Commercial Attache William S. Dowd, Tokyo, 4/8/33.)

Effective April 10 the banks lowered the call money rate one rin per diem, making the rate eight rin. Earlier in the week share prices on the Tokyo stock exchange showed some improvement, but toward the latter part of the week a recession set in and some of the leading issues witnessed declines. (10 rin = one sen; 100 sen = one yen.)

Price Decline Continues (Same source.)

Wholesale prices in Tokyo during March continued to decline, according to the Bank of Japan. The month's average was 1.2 percent lower than in February.

Will Pay for Railway (Trans-Pacific, 3/30/33.)

The South Manchuria Railway Company will pay for construction of the Tienpaoshan-Tumen Railway. To raise the necessary 9,800,000 yen, the company will issue debentures. Money thus raised will be paid to the Deposits Bureau of the Ministry of Finance, the Oriental Development Company and other Japanese business companies which formerly advanced money to Chinese authorities for the construction of the railway. The debentures mature in 10 years and earn a 4.2 percent interest rate.

Railway Revenues (Assistant Commercial Attache William S. Dowd, Tokyo, 4/1/33.)

Preliminary figures on Government railway receipts for the fiscal year ended March 31 indicate a total of 406,602,821 yen, or a decrease of 7,549,253 yen compared with the preceding year. The Minister of Railways anticipated earlier in the year that the decrease in revenue for this fiscal year would possibly reach 20,000,000 yen, but now states that improved railway traffic during the last half of the year cut down the expected loss. Receipts from passenger fares amounted to 237,712,316 yen, and 168,890,505 yen from freight traffic.

Financial Cable from Tokyo (Commercial Attache Halleck A. Butts, Tokyo, 4/15/33.)

The Tokyo stock market is very quiet. Yen-dollar exchange shows no material change.

Takahashi Denies He Intends to Quit (The Trans-Pacific, Tokyo, 3/30/33.)

With the Diet session finished, although almost overlooked in the hustle and bustle attendant upon Japan's withdrawal from the League, rumors to the effect that the Minister of Finance, Mr. Korekiyo Takahashi, was upon the verge of resigning, and that a Cabinet change of some sort was impending, began to appear in the press again. The particular rumor about Mr. Takahashi was denied by the two parties most directly concerned, namely Mr. Takahashi himself and Premier Saito, in general press interviews.

Takahashi States He Will Raise Taxes (Same source.)

Finance Minister Korekiyo Takahashi, in a press interview has indicated that he remains optimistic. Taxation for the 1934-35 budget will not be increased sharply if he remains in control. He has no fears for an economic blockade. He said: "So far I have drawn no concrete plans for readjusting taxation. The formulation of the 1934-35 budget will have to be based upon bond issues to cover a deficit. Even if the Government raises taxes, increases may be confined to boosting the levels at which postal cards and stamps are sold, or something like that. Even this will be difficult."

Measure Providing Farm Loans Passes (Same source, 3/23/33.)

The Government's bill providing low-interest loans to farmers to the extent of 200,000,000 yen was passed by the House of Representatives after brief debate in a plenary session Friday afternoon. The measure was adopted by a large margin and will be sent immediately to the House of Peers.

Mr. Kiorku Oguchi of the Seiyukai made a report on behalf of the special committee which had examined and acted favorably on the measure. He explained that the bill provides for loans on easy terms, and that the actual loans be made through the Deficit (Deposits) Bureau of the Finance Ministry. In case of failure of the borrowers to repay, the Central Government will stand good to the extent of 20 percent and the prefectural government concerned, to the extent of 10 percent.

Utility Pays Dividend (Same source, 3/30/33.)

The Nippon Electric Power Company, Osaka, decided to declare a 5 percent dividend per annum for shareholders, the same as before, for the half-year to end of March 31.

Tourist Traffic Off 19 Percent (Same source, 3/23/33.)

Tourist traffic in Japan was affected adversely last year by the world depression, declining 19 percent from 1931. Chinese accounted for 46 percent of all visitors, followed by Americans with 23 percent, British with 13 percent, and Russians with 3 percent. No other nationality had important representation.

NEW ZEALAND

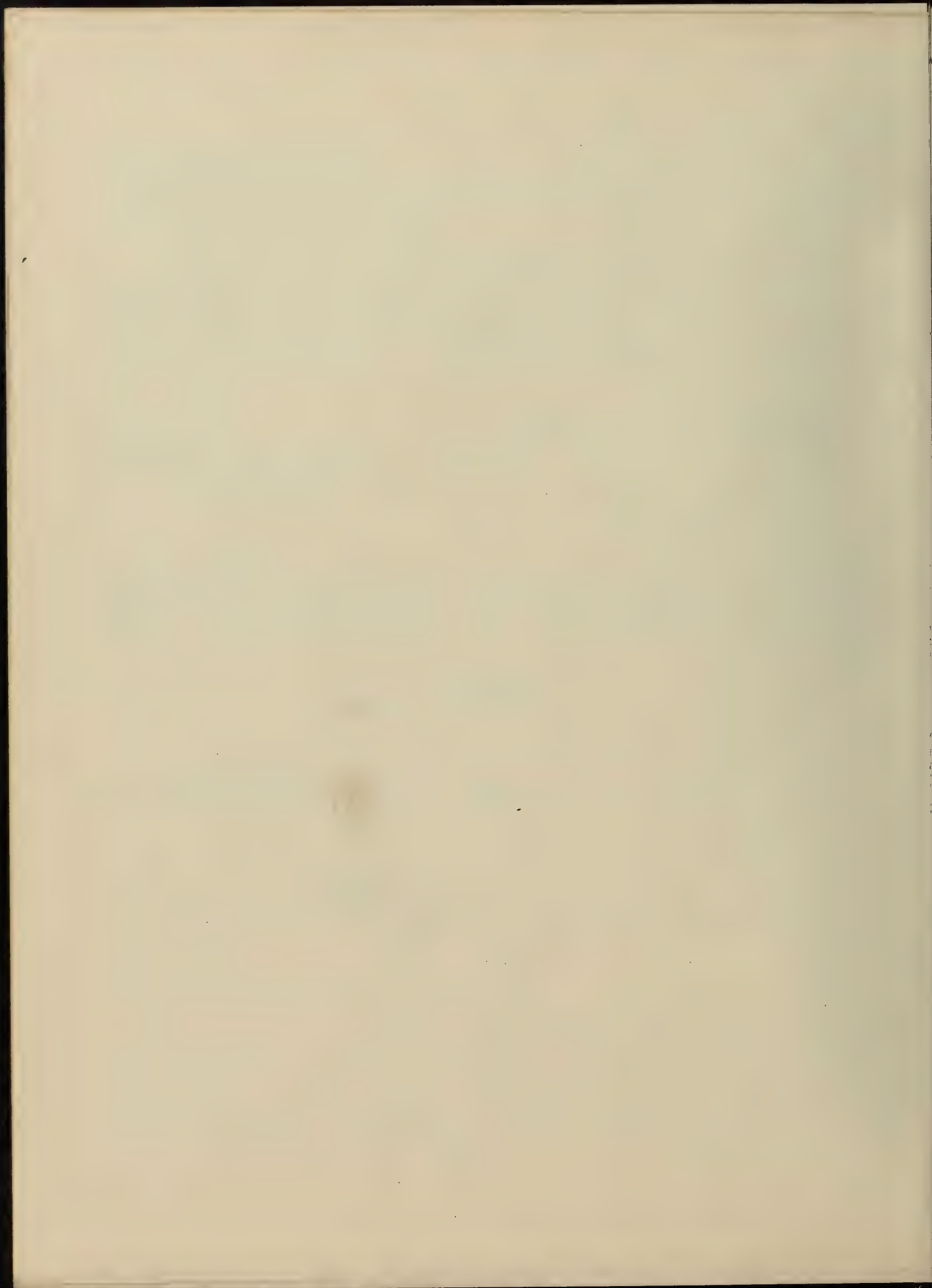
(One pound on April 26 = \$3.0287)

Conversion Loan Success (Trade Commissioner Julian B. Foster, Wellington, 3/27/33.)

The conversion loan has been fairly successful. Out of a total of £115,000,000, £105,000,000 was willingly converted. Holders of £600,000 dissented to the conversion.

AMOS E. TAYLOR,
Acting Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 134.

May 19, 1933.

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

SURVEY REVEALS POSSIBILITIES OF INCREASED USE OF SILVER

Considerable quantities of silver might be employed as subsidiary currency throughout the world under existing laws, according to a study being made by Herbert M. Bratter of the Finance and Investment Division.

While many countries have limited by law the amount of silver which may be issued, not all such countries have in circulation all the silver legally issuable. Thus, if necessary, a certain amount of additional silver could be put into circulation.

In still other countries, where there is no legal limit, more silver may be issued without formality. The general practice, however, is to issue coins only as public demand for subsidiary money requires.

Countries and colonies where, it is believed, the use of silver coin may be increased without new legislation number approximately 59. It should be borne in mind that the law is not always definite on this point and that it is frequently a matter of opinion whether new legislation would be necessary. In a few cases exact information is not on hand.

(When the study referred to above is published, an announcement will be made in these notes.)

AUSTRALIA

(On May 10 one pound Australian = \$3.1333)

Short Term Debt of the Commonwealth and States (The National Bank of Australasia Ltd.,
Monthly Summary of Conditions for February, 1933.)

The floating debt of the Governments is closely linked with the budget finance of the Commonwealth and States. On July 1, 1931, the total short term debt of the Commonwealth and States was £59,000,000, £21,000,000 of which was owed in Australia and £38,000,000 in London. By January 31, 1933, the short term indebtedness in London had decreased by £3,800,000 to £34,200,000, but the portion of the debt owing in Australia increased by £30,700,000 to £51,700,000, making the total of the floating debt £86,000,000, a net increase of £27,000,000.

Short Term Debt

	<u>June 30, 1931</u>	<u>June 30, 1932</u>	<u>Jan. 31, 1933</u>
In Australia:			
New South Wales....	£9,750,000	£25,010,000	£29,040,000
Victoria.....	2,400,000	5,200,000	6,710,000
Queensland.....	-	-	700,000
South Australia....	1,150,000	3,500,000	4,930,000
Western Australia	2,050,000	4,820,000	6,880,000
Tasmania.....	-	300,000	680,000
Total States....	15,350,000	38,830,000	43,940,000
Commonwealth.....	5,730,000	6,510,000	2,850,000
Total, Australia.....	21,080,000	45,340,000	51,790,000
In London:			
New South Wales....	13,120,000	12,670,000	10,500,000
Victoria.....	6,900,000	6,700,000	6,160,000
Queensland.....	-	-	-
South Australia....	3,820,000	3,820,000	3,810,000
Western Australia	3,530,000	3,430,000	3,130,000
Tasmania.....	490,000	490,000	490,000
Total States....	27,860,000	27,110,000	24,090,000
Commonwealth.....	10,220,000	10,220,000	10,170,000
Total, London.....	38,080,000	37,330,000	34,260,000
Total unfounded debt	59,160,000	82,670,000	86,050,000

Since the Premiers' Plan was put into operation 19 months ago, deficits for Commonwealth and States of £25,500,000, which seemed likely to grow to £41,000,000, have been reduced to an estimated total of £8,800,000, while the floating debt of the Commonwealth and the States increased by £26,000,000.

Federal Surplus Believed Too Small to Permit Tax Reduction (Trade Commissioner E. C. Squire, Sydney, 4/3/33.)

In the Federal Parliament the tariff debate continues to drag along. It is reported now that the Federal Ministry is somewhat disappointed that by June 30 the surplus may be only about £2,000,000. The intention was to devote the surplus to a reduction in taxation, but, in view of its nominal amount, no very great relief can be expected.

New South Wales Government Finances for Eight Months Ending Feb. 28, 1933*

Consul Albert M. Doyle of Sydney, Australia, has sent in a report with the above title, dated March 18, 1933.

Finances of Tasmania for Eight Months July, 1932, to February, 1933*

Vice Consul Ralph H. Hunt of Melbourne has sent in a report, dated March 23, 1933, with the above title.

Commonwealth Bank Charter May be Amended (Trade Commissioner E. C. Squire, Sydney, 4/1/33.)

The Federal Government is now considering the advisability of amending the Commonwealth Bank charter so as to make the institution more independent of political control. It seems likely, however, that such action may be delayed until after the World Economic Conference. It is understood that the legislation, when introduced, will provide for the formal creation of the Commonwealth Bank as a central reserve bank. It is proposed that the reserve bank shall be constituted in accordance with the principles of such institutions in other countries.

Australian Banking Statistics (Consul Albert M. Doyle, Sydney, 3/24/33.)

The Commonwealth Statistician has made available particulars of the average domestic liabilities and assets of the Commonwealth Bank and other check-paying banks for the last quarter of the years 1931 and 1932. (A copy of Consul Doyle's report may be borrowed from the Finance and Investment Division.)

EGYPT

Exchange Agreement is Extended (Commercial Attache Charles E. Dickerson, Jr., Cairo, 4/13/33.)

The agreement of the Government with the National Bank was extended for another six months, to June 30, 1933. Purchases of gold for account of the government and for resale abroad at a profit continued. Reports of an intention on the part of the Government to separate the Egyptian pound from the pound sterling in a revalorization operation were current sporadically, but were not believed and are not believed to have foundation.

INDIA

(On May 10 one rupee = \$0.2961)

Utility in Hyderabad May be Sold (Trade Commissioner George C. Howard, Calcutta, 4/3/33.)

It is reported that a foreign company is endeavoring to purchase the Hyderabad electric supply plant, at present owned and operated by the Hyderabad State Government, for 4,000,000 rupees, or to obtain it on lease at 280,000 rupees a year, which is equivalent to 7 percent on a valuation of 4,000,000 rupees. The plant is understood to have cost the Hyderabad Government 13,000,000 rupees, though it is at present carried on the books at 9,000,000 rupees. The Municipality of Hyderabad is opposed to letting the plant get into the hands of a foreign company, which might increase rates, and has made representations to the Political Member urging that arrangements be made for the municipality to take over the plant if the State is not prepared to continue operating it.

Bombay Bullion Market (Same source, 4/5/33.)

The Bombay gold market during the week ended March 31, experienced slight fluctuations. Arrivals from up-country continued to be fair. The daily offtake was 3,000,000 tolas, with stocks in the neighborhood of 350,000 tolas. Imports during the week amounted to 100,454 rupees in bar and coin. (One tola = 3/8 ounce troy.)

The silver market was easy and the volume of business put through was relatively small. Offtake averaged 30 bars per day, with stocks at about 4,500 bars. Imports during the week amounted to 121,503 rupees in coin.

Loan to be Retired (Same source.)

The Government of India has announced that the 1916-17 4 percent Conversion Loan is to be retired July 1, 1933, at par, with interest to that date. No interest will accrue on the loan after July 1. On April 1, 1933, 99,001,000 rupees of these bonds were outstanding.

CHINA

(On May 10 one Yuan = \$0.2451)

China Loan Syndicate: Manchuria to Pay Arrears, and Contract New Debts (Japan Weekly Chronicle, 3/30/33.)

Loans by the Japanese Government and private individuals and companies to China on the security of railways, forestry, and telegraph amount to 800,000,000 yen. China has failed to pay even the interest. Since the formation of Manchukuo, however, the Hsinking Government has promised to relay, together with arrears of interest, all Chinese loans directly concerned with Manchuria.

This assurance is greatly relieving to the China Loan Syndicate formed by the Industrial Bank of Japan, the East Asiatic Development Company and 20 other banks and commercial concerns which have been in difficulties with enormous frozen loans in Manchuria and elsewhere. At a special conference the other day, the Syndicate discussed its policy towards new enterprises in Manchukuo. The upshot of the discussion was the agreement that the Syndicate, with the East Asiatic Development Company, and the Central China Industrial Company as the most active members, should interest itself in new enterprises.

With this point of view, Mr. Uchida, executive director of the East Asiatic Development Company, will shortly visit Manchukuo and investigate suitable industries which do not clash with the S.M.R. schemes or violate the fundamental policy of Japan-Manchukuo economic control.

Many Japanese interests have attempted to expand their sphere of activity to Manchuria, but for various reasons their efforts have so far failed to bring tangible results, all key industries being monopolized by the South Manchuria Railway Co. This has been provoking criticisms in some quarters. Hence the above activity of the China Loan Syndicate is attracting much attention.

Manchurian Revenues Reported (Trans-Pacific, 4/6/33.)

Financial conditions in Manchuria for the first half of the fiscal year were satisfactory. As peace and order were restored during this July-December period, Government revenue

increased steadily and now it is believed that income will be as great as it was under the old regime. Actual revenue received by the State for the six months ended with December was 37,733,000 yen, or 260,000 yen above the original estimates, according to the War Office.

Manchurian Road Expects Profits (Trans-Pacific, 4/6/33.)

The South Manchuria Railway Company has announced the estimates for "enterprises" and "income and profit" accounts for 1933-34, subject to approval of the Ministry of Overseas Affairs. According to the statement, the company is expected to make a profit of 27,162,000 yen.

Japan To Participate in Developing Manchuria (Commercial Attache Halleck A. Butts, Tokyo, 5/6/33.)

It is indicated that the Japanese government will indirectly participate in the development of Manchuria. Newspapers state that the Government plans to control all silver imports and sales. The subject is being studied, but early decision is improbable.

China Ships Silver to the United States (Consul General Edwin S. Cunningham, Shanghai, 5/9/33.)

It became commercially profitable about April 22 to export silver from China in spite of the 2½ percent ad valorem export duty. Shanghai declared exports of silver to the United States from April 24 to 30, inclusive, were 9,274,138 ounces, valued at \$2,903,926 United States currency. From May 1 to 3, inclusive, 5,977,319 ounces, valued at \$1,965,995, were exported. The exports consisted principally of sycee. Present stocks of silver in Shanghai approximate 360,000,000 ounces.

It is the general opinion that exports of silver will continue as long as present disparity in the value of silver at New York and Shanghai continues, unless the export duty is increased to compensate or an embargo should be placed on exports.

Newspaper Sees Little Field for Foreign Investments in Manchuria (Nagoya Shinaichi as quoted in the Trans-Pacific, 4/6/33.)

There have been complaints in Manchukuo over the reluctance of Japanese capitalists to invest in enterprises of the new state. The complaints have come both from Japanese residents and officials in Manchukuo, and a statement to this effect recently was made public by Major-General Uasuji Okamura, the vice-chief of the staff of the Kwantung Army.

Since the inauguration of the new state, a large number of Japanese business firms have been established there, but, unfortunately, a great many of them are of a questionable character. Not a few Japanese financiers are desirous to lend a hand toward the financial development of our new neighbor, but, faced by dangerous risks, prudence prevents them from taking action.

The circumstances seem to be unavoidable, since Manchukuo still is in its initial stage of construction, and, although military operations in Jehol Province have been brought to a conclusion, perfect peace and order, such as trade needs for its growth, by no means has been brought about yet.

Another factor which prevents the exportation of Japanese capital to Manchukuo in large amounts is the Japanese investor's comparative ignorance of real conditions existing in trade and business centers of the new state. Indeed, there was once a wide-spread belief in Japan

that the government at Changchun was against the use of Japanese capital. The rumor was most perplexing to the Japanese army.

On February 28 a 10-year plan formulated by the Manchukuo government for effective exploitation of the various natural resources within its territory was announced simultaneously in Changchun and Tokyo. The fundamental principle of the plan is state control of virtually all important enterprises through special companies affiliated to the government. Among these productive activities are lumbering, placer-gold mining, communications, opium cultivation, the manufacture of salt, the construction of railways, harbors, and air lines, the mining of iron and coal, the management of the central bank and the supply to the nation of electricity and gas.

The fact that the 10-year plan embraces so many important enterprises leaves very little field of investment for foreign capitalists.

JAPAN

(On May 10 one yen = \$0.24)

Financial Notes (Commercial Attache Halleck A. Butts, Tokyo, 5/6/33.)

The exchange control law went into effect May 1.

The Economic Mission to the United States intimates that the value of the yen is a subject of major importance but that Japan cannot agree to increase the value of the yen or return to the gold standard without foreign financial assistance. It is presumed that stabilization at or around 25 cents would be satisfactory, since increased prices are expected in the United States.

The Bank of Japan is distributing Government bonds to the commercial banks.

Some decline is noticeable in industry in Japan, which may soon become more pronounced.

Japan exports during April 1933 totaled 133,000,000 yen. Imports totaled 57,400,000 yen.

Bank Operates in Open Market; Sells Bonds (Trans-Pacific, 4/6/33.)

In order to prevent cash redemption of 200,000,000 yen of Treasury notes from unsettling the money market, the Bank of Japan will sell its holdings of the first and second 4½ percent Government issues. It has 315,000,000 yen of the latter, recently issued. Private bankers, burdened with uninvestible cash, are clamoring for a chance to invest. If they were to enter the ordinary bond market, prices would rise too sharply.

Hopes of Inflation Boost Share Mart (Same source.)

Government financing at the end of the last month, which was also the end of the fiscal year, was responsible for a sharp upward movement on the stock exchange. Traders interpreted it as a sign that inflation had at last arrived, pointing out that most of the 1,026,000,000 yen public bonds to be floated this fiscal year will be taken originally by the Bank of Japan. They did not appear to be worried by the almost simultaneous announcement that the Bank of Japan was continuing its open market operations and that the private banks were clamoring to buy the new bonds and actually were taking the new Treasury and rice note issues.

Mitsui, Mitsubishi, Nippon Oil, Ogura Oil and S.M.R. Asked for 500,000 Yen Each (Same source.)

Manchukuo is making plans for the establishment of a gasoline monopoly, according to reports from usually reliable sources. The new state plans erection of a refinery at Hulutao and upon its completion will raise tariffs on petroleum distillates to protect the infant industry. Japanese oil companies are being persuaded to invest in the new enterprise.

Last week Lieutenant-General Kuniaki Koiso, chief of staff of the Kwantung Army, requested the Mitsui Bussan, Mitsubishi Oil, Nippon Oil, Ogura Oil, and South Manchuria Railway companies to send representatives to a meeting in Changchun. Upon their arrival they were told that a Manchukuo oil concern was to be established and that each was expected to contribute 500,000 yen to its 3,000,000 yen capitalization. The remaining share will be held by Manchukuo but will not be paid at the outset.

Japanese Utility Bonds and the Exchange Rate (Japan Weekly Chronicle, 3/30/33.)

The Electric Power League is expected shortly to intensify its efforts to obtain Government assistance for the purchase of debentures issued abroad by its members.

Following the gold embargo in the United States, the five largest power concerns, which comprise the above League, anticipated a sharp rally in the yen exchange and a consequent improvement in the position as regards interest payments. With no change in the dollar rate, however, they can expect no improvement in their position. One or two firms bought debentures when their value slumped through the American crisis, but the saving thus effected has been negligible.

Now that conditions in the United States have quieted, debenture holders are taking a strong attitude, and it is extremely difficult for power concerns to push purchase negotiations. The only solution is either to ask the Government to carry out forced purchase, or to allow the companies to remit funds to the United States for purchase there. A report states that in consideration of the explanation of Mr. Takahashi, Minister of Finance, in the Diet, it will be difficult for the Government to conduct forced purchase, but that there are hopes for the desired permission to remit purchase funds abroad. A few concerns have already been allowed to remit in excess of the sinking fund provision. The Government attitude will be decided shortly after the end of the Diet session, it is believed.

Electric Light Companies Sell Portfolio Securities; May Use Proceeds To Buy Up Dollar Bonds (Trans-Pacific, 4/6/33.)

The Tokyo Electric Light Co. and the Toshin Electric Co. own 140,000 of the 300,000 shares of the Showa Fertilizer Manufacturing Co., capitalized at 15,000,000 yen. Taking advantage of the rise of Showa Fertilizer shares, they decided to sell 70,000 shares each. Showa Fertilizer authorities are negotiating with the Tokyo Stock Exchange regarding sale of these large blocks. The price is estimated at about 100 yen. If these shares are sold for 100 yen, Tokyo Light is expected to realize a profit of 3,500,000 yen, with which it plans partially to redeem its foreign debts.

Savings Bank Law May be Altered (Japan Weekly Chronicle, 3/30/33.)

Savings banks throughout the country are to hold a general meeting in Osaka on April 12. The agenda is now being prepared by Tokyo bankers. It is generally believed that the agenda will include a reform of the savings banks to take up first class bills without guarantors,

accommodation bills known as Tammei Tegeta. Savings banks have hitherto accepted "call" bills drawn by the Yokohama Specie Bank and the Bank of Taiwan. The object of the present reform is obviously to enable the banks to invest their idle funds in gilt edged industrial bills such as those drawn by the South Manchuria Railway Co.

NEW ZEALAND

(On May 10 one New Zealand pound = \$3.1408)

Decrease in Value of Auckland Property (Consul Walter F. Doyle, Auckland, 4/7/33.)

The recently completed taxable valuation placed on Auckland property for the year 1933-34 shows a decided decrease. The "peak" tax year of 1930-31 showed a total of £2,758,022 as against £2,555,827 for 1933-34. The above figures do not take into consideration the decline in the gold value of the pound since the suspension of the gold standard, nor the additional discount against the New Zealand pound.

SIAM

Siam Announces New Budget*

The Finance and Investment Division has received a report from Assistant Trade Commissioner J. D. Walstrom, Bangkok, dated April 14, 1933, under the above title.

TURKEY

(On April 1 one Turkish pound was quoted at \$0.47 7/16)

The Exchange Control Law (Assistant Trade Commissioner Henry E. Stebbins, Istanbul, 3/27/33.)

Under the new decree law embodying foreign exchange restrictions for the protection of Turkish currency, no great difficulties in the normal payments for imports are foreseen, since the issuance of foreign exchange is permitted for payment of goods after clearance from customs. Because of the comparatively liberal treatment now being accorded certain classes of American merchandise, payment for American exports to Turkey should not encounter any handicaps. The decree has, however, affected Americans on the payroll of the Turkish Government who wish to transfer part of their earnings to America. Foreigners in business in this country desiring to remit abroad are permitted to do so only to the extent of half of their monthly income and not to exceed 300 Turkish pounds per month. A subsection of the law requires that this amount may be sent only to members of families or to dependents. For the present at least this is working a hardship on some of the Americans employed here.

There was no change in the exchange situation during the week under review, the Turkish pound being quoted at \$0.4750.

GROSVENOR M. JONES,

Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 135

June 5, 1933.

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Monetary Use of Silver in 1933

Under the above title this Division has issued Trade Promotion Series No. 149. The bulletin is a world-wide survey of the monetary use of silver today. Copies are obtainable at ten cents each from the Superintendent of Documents, Government Printing Office, Washington, D. C., or from any district or cooperative office of this Bureau.

SILVER

A Bank Director's Remarks on the Silver Market (The London Times, 4/8/33)

At the ordinary yearly general meeting of the shareholders of the Hong Kong and Shanghai Banking Corporation held on February 25 last at the head office, the chairman, Mr. J. J. Paterson, said: "Interested as we are in silver movements primarily as affecting the flow of Far Eastern trade and the general welfare of China, we hold the belief that the operation of the law of supply and demand -- which implies the rising and falling of silver in harmony with other commodities -- will be more to the public benefit than artificial measures of control I must leave it to those of my hearers who are interested in the subject to make their own deductions from the figures I have quoted and will only point to the obvious fact that the one certain direction in which to look for the strength of the silver market is the revival of export trade from China and India."

At the same meeting Mr. H. R. B. Hancock stated: "I am sure we are all in accord with the chairman's remarks about the restoration of silver. Artificial measures of control have been tried with other commodities, with failure in almost every case. It were better to wait for economic world recovery, and with it, of course, a revival of the export trade of China and India, than to introduce international schemes, which might very easily do more harm than good."

AUSTRALIA

(On May 25 one Australian pound = \$3.1233)

Australia's Short-term Indebtedness at March 31, 1933 (Trade Commissioner E. C. Squire, Sydney, 4/20/33)

The combined net short-term indebtedness of the Commonwealth and State Governments was reduced £546,500 in March; the portion held in Australia was reduced £574,500 but that held in London increased £28,000. The Commonwealth Government increased its London obligations by £19,000, but decreased its indebtedness in Australia by £98,000. The short-term debt of New South Wales, which is three times as large as that of the Commonwealth and somewhat greater than that of all the other States combined, increased £1,058,500. On the other hand, Victoria reduced its short term debt by £679,000 and South Australia, by £520,000. The short-term debt of each State and the Commonwealth in London and in Australia at the end of March was as follows:

	<u>London</u>	<u>Australia</u>	<u>Total</u>
Commonwealth	£10,207,000	£ 2,805,000	£13,012,000
Victoria	6,140,000	6,994,000	13,134,000
New South Wales	10,516,000	28,586,000	(a) 39,002,000
West Australia	3,131,000	6,791,000	9,922,000
South Australia	3,814,000	4,439,000	8,253,000
Tasmania	<u>489,000</u>	<u>570,000</u>	<u>1,059,000</u>
Total Dr.	34,297,000	(a) 50,085,000	84,382,000
Queensland Cr.	<u>7,000</u>	<u>897,000</u>	<u>904,000</u>
Net total Dr.	<u>34,290,000</u>	<u>49,188,000</u>	<u>83,478,000</u>

(a) There is apparently an error of 100,000 in this column.

Australian Government Finance - March 1933 (Same source)

The combined deficits of the States, less the surplus shown by the Commonwealth at the end of March, amounted to £6,655,717, compared with a deficit of £21,083,135 on March 31, 1932. With only three months to complete the financial year, some of the States will require substantial excess revenues to bring their deficits down to the level of the estimates. Victoria must improve its budgetary position by more than £1,000,000. The New South Wales and South Australian deficits for the nine months already are below the estimates for the 12 months, and as revenue usually exceeds expenditure in the last few months of the financial year their positions should improve. Tasmania's surplus of £39,369 for the nine months reduces the debit balance with which that State opened the financial year to £706,937. Figures compare as follows:

	Deficit, 9 months 1931-32.	Deficit, 9 months 1932-33.	Previously estimated deficit for year 1932-33.
Commonwealth	£3,484,000	(b) £2,331,000	£ 1,302,000
New South Wales	(a) 9,600,000	3,409,492	4,350,000
Victoria	2,924,135	1,993,000	851,000
Queensland	1,991,000	1,573,915	1,490,868
South Australia	1,512,000	1,078,000	1,187,000
West Australia	1,480,000	971,679	763,666
Tasmania	<u>92,000</u>	(b) <u>39,369</u>	<u>130,336</u>
Net totals	21,083,135	6,655,717	10,074,870

(a) Approximate; (b) Surplus.

Commonwealth Bank's Profits (Same source, 4/21/33)

The board of directors reported a profit of £1,041,870 earned by the Commonwealth Bank of Australia (including the Savings Bank) for the six months ended December 31, 1932, compared with £1,428,734 for the preceding six months and £1,175,871 for the same period of 1931.

Commonwealth Banking Proposals (Same source)

The Commonwealth attorney general recently announced that early steps will be taken to separate the trading functions of the Commonwealth Bank from its operations as a reserve bank. The proposal is that the reserve bank shall be constituted in accordance with the principles of such institutions in other countries, with a separate board for the control of the bank's trading functions.

The attorney general also intimated that it was intended to make the bank safe from political control. The leading political parties are making banking reform their cardinal point of policy for the next election, and the present Government is anxious to preserve the Commonwealth Bank and the banking system from political interference. This proposal is expected to be considered when the tariff debate is settled.

Increase in Australian Savings Bank Deposits (Same source, 4/20/33)

During February 1933, an increase of £288,000 (0.1 percent) was recorded in the aggregate saving bank deposits for the whole of Australia. All States showed minor increases, except Queensland, where deposits decreased by £58,000, or 0.2 percent.

Gold Exports (Australasian Insurance and Banking Record, 3/21/33)

The Commonwealth Statistician announces that, during the calendar year, actual exports of gold were £7,019,089, of which £4,737,740 were shipped during the first six months.

London Funds Lower (Trade Commissioner E. C. Squire, Sydney, 4/15/33)

The Commonwealth Bank's statement for April 10 indicates diminishing funds in London, owing to the extremely heavy interest payments that must be met between the last of March and the middle of July. Funds now standing at £17,500,000 are approximately £2,500,000 below those of a year ago. The bank's statement is now changed to take account of the transfer of the currency gold reserve to London. The "special reserve (premium on gold)" is shown at £3,300,000.

Balance of Payments Estimates (Same source, 4/15/33)

On the basis of the foreign trade statistics for the past eight months, economists connected with leading banks estimate that the Australian balance of payments for the current year will probably be adverse to the extent of £4,000,000 or £5,000,000. They estimate that merchandise exports, including current gold production, will be about £80,000,000 and imports about £57,000,000, leaving a margin of £23,000,000 for payment of foreign debt service, which is insufficient by £4,000,000 or £5,000,000. However, provided the coming season is a good one, the deficiency can be easily financed by the Commonwealth Bank and the other banks. Consequently, it is now considered that there will be no change in the exchange rate for some time to come.

CHINA

(On May 25 one yuan = \$0.2439)

The Bank of China 1932 Report

The Bank of China's annual report for 1932 shows for the end of 1932 total assets of approximately 476,500,000 yuan, an increase of 13,892,000 yuan over 1931, and net profits for 1932 at 1,848,000 yuan.

The report calls attention to the stimulus given to trade in China by the low price of silver and to the expansion of industries, stating: "Since the commencement of the Manchurian trouble there has been in China a wider recognition of the need to develop the national resources and to support home industries. In order to promote the use of native goods and to strengthen the foundation of domestic industries, the Bank, working in cooperation with local factories and Chinese department stores, has established the Native Products Cooperative Society."

Referring to the adverse agricultural situation in the interior of China last year, the report states that a consequence thereof was the transfer of funds to the large cities, particularly Shanghai. "Although agricultural prices were low, farmers had to purchase necessities from the cities. Moreover, the rich families have, either because of bandit disturbances or because of their disinclination to invest any more in agriculture, tended to migrate to the towns and cities, and have taken their funds with them"

During the past year the influx of cash to Shanghai averaged 6,000,000 yuan per month. In past years there has always been in April a heavy demand for yuan up-country, "but last April there was actually an influx of cash into Shanghai amounting to 22,000,000 yuan. For the whole year the influx amounted to over 89,000,000 yuan, while the amount exported to various places, excluding Dairen, was not more than 20,000,000 yuan."

Pending increases in tariff rates led to considerable smuggling "and this has undoubtedly affected the accuracy of some of the trade statistics.

"For those engaged in foreign trade it is in general more important that exchange should be stable than that it should be high or low in the interior wages and prices remain largely unaffected by variations in the gold price of silver. In the long run the level of silver must be determined by economic causes. There would be little to be said for a high price of silver. If it were produced by an artificial scheme that failed to take into account the underlying causes of the present situation."

In 1932 remittances from oversea Chinese were, according to the bank's estimates, as follows: From the Straits Settlements, 117,000,000 yuan; from the United States, 186,000,000 yuan; from elsewhere 24,000,000 yuan; a total of 327,000,000 yuan. (It will be noted that the summation does not agree with the total.)

China Outlook Surveyed by Chang Kia-ngau (China Press April 9, submitted by Trade Commissioner A. Bland Calder)

Despite the existence of a national crisis more serious than any previously experienced during the period of the Republic, the Bank of China made a net profit of 1,847,950 yuan in 1932, according to the annual report of Mr. Chang Kia-ngau, general manager of the Hong Kong and Shanghai Banking Corporation. The profit enabled the bank to pay its usual 7 percent dividend and carry forward 4,816 yuan to the credit of the undivided profits account. The new board of directors elected at the annual meeting has as its members 12 prominent bankers and business leaders, including Mr. Li Fu-sen (Li Ming) as chairman.

The bank continued during last year to foster the development of Chinese industry, and loans to textile mills, egg-products factories, food manufactures, and chemical industries, as well as to a few other branches of industry, amounted to 38,435,423 yuan, an increase of 7,227,769 yuan, or 23 percent, over 1931.

The bank's report, as is customary, deals extensively with not only the internal affairs of China, but also with the world situation as it affects China. The taking of Manchuria is characterized as "the most serious blow our country has ever suffered." In a lengthy discussion of the Sino-Japanese dispute, it is pointed out that Manchuria provided the outlet for a very large proportion of Chinese exports, was an immense immigration territory for Chinese from Shantung and Hupeh, and was a promising market for developing industry in China proper.

The report also summarizes the Sino-Japanese warfare here that caused a direct loss of about 1,000,000,000 yuan and an indirect loss of approximately the same amount.

An alarming deterioration in rural conditions is noted in the report and is attributed to the 1931 floods, the communists, the fall in prices for commodities, and the lessened demand for silk. One result of this decline is an ever increasing influx of money into Shanghai from the interior. Another result is that China is importing such agricultural products as rice, wheat, cotton, and tobacco that she is able to grow.

Sale of Old Bonds to Foreigners (E. Kann in Finance and Commerce, 4/5/33)

One can observe the maintenance of fairly high quotations for China's loan bonds issued in foreign currencies. This satisfactory state of affairs is largely due to the confidence which foreigners have been bestowing upon Chinese bonds secured on the customs revenue. The amount of such bonds sold by Shanghai to London in the course of the past six months aggregates several million pounds sterling in value. Sales have been consummated at ever rising prices, the two most popular issues being the 1913 Reorganization Loan and the 1925 gold dollar bonds. Railway issues, after having been neglected for a lengthy period, appear to be somewhat more promising as an investment. Coupons of certain issues, long in arrears, have recently been paid. At present the Lunghai railway is the only line in China which is being continually improved and extended without resort to new loans.

The sale of Chinese bonds in foreign currency is proving an important item in China's balance of payments. It is an "invisible" export and doubly welcome at a time when exports are scarce.

Internal bond issues have had a remarkable career recently, seeing that prices have advanced in the course of a single month to the extent of from 20 to 30 percent with a fair turnover. Domestic loan bonds are getting more popular with the foreign population living in China. Under the Nanking regime there has been no default. The position is being constantly improved by the disbursement of \$8,600,000 a month to investors. Simultaneously with redemptions no new loan issues are being floated. It may not be known to the average person that the three Government banks undertake to attend to the needs of investors in Chinese domestic bonds. The securities are kept in safe custody, coupons are detached, the principal due is automatically collected, drawn bonds are redeemed, and the proceeds handled as directed by the owner. For this work the said banks make a very nominal charge of one yuan a year on every 10,000 yuan nominal value of bonds entrusted to their care. Similar arrangements can be made with some of the modern Chinese commercial banks, but I am not aware whether their scale of charges coincides with that of the three government banks.

Agricultural Bank is Formed (Commercial Attache Julean Arnold, Shanghai, 5/5/33)

A farmers' bank was 3,000,000 yuan capital opened April 1 to aid rehabilitation and agricultural production in the four central-China Provinces which suffered Communist raids.

Bank of China Profits (Same source)

The Bank of China, premier Chinese Bank, shows net profits for 1932 of 8 percent on its 24,700,000 yuan capitalization.

Boxer Indemnity Loans Approved (Same source)

British Boxer Indemnity loans of £22,000 sterling have been approved for the unfinished section of the Canton-Hankow Railway, telegraph equipment for Huai River conservancy, and Nanking Government electrical works; while another £100,000 loan is being considered for an industrial alcohol plant. These loans stipulate purchase of British materials.

Bank of Communications Shows Reduced Profits (China Weekly Review, 4/15/33)

Mr. T. D. Woo, general manager of the Bank of Communications, reported in April the net profit of the bank (in 1932) amounted to \$400,800, which was \$369,000 less than in 1931. Loans and investments during the year totaled \$164,254,000, which was \$7,727,000 more than the total for the previous year.

Abolition of the Tael*

The Finance and Investment Division has received from Commercial Attache Julean Arnold, under date of April 17, three copies of documents relating to abolition of the tael.

The Export Duty on Silver (Finance and Commerce, 4/12/33)

The duty of 2½ percent on silver exports was not imposed to procure revenue, or to prevent the egress of silver from China, but merely that silver in the shape of minted yuan or Shanghai-mint bars (both of which remain duty-free), which are subject to a coining fee, shall not be placed at a disadvantage vis-a-vis silver in the various forms contained in the customs notification. There are but moderate quantities of bars of foreign origin in China at this time, practically all of which are earmarked already and not available for export abroad. Of sycee taels rather large stocks are being held in Shanghai. However, as their export would entail charges of about 5 percent, it stands to reason that the export of sycee also is not imminent.

Low Silver and Living Costs in Shanghai During 1932 (Chinese Economic Journal, April 1933)

The past year witnessed a general fall in prices and a marked decrease in the index numbers representing the cost of living in Shanghai, with the sole exception of rent. Indexes of the prices of food, clothing, and sundries showed a distinct downward trend, particularly evident in regard to food. The index number fell in November to 81.46, the lowest since January 1927, and the average for 1932 was 7 percent less than that of the preceding year. The index of living expenses among the working class, which rises and falls with the variation of food prices, likewise came down in November to the lowest point recorded since April 1929 and the average for the year was 5.62 percent lower than that of 1931. The table **** of index numbers showing the cost of living among the working class in Shanghai during 1932 is based upon the retail prices of 60 daily necessities consumed by 305 workers' families, after weighting, the data being collected by the Bureau of Social Affairs in the

Municipality of Greater Shanghai ****. In North China the index number of average wholesale prices (as given in the "Statistical Weekly," published by the Nankai University) was 122.55 for 1931 and 112.36 for 1932. The index number of the cost of living among the working class in Tientsin dropped from 133.80 in 1931 to 100.43 in November 1932 and that in Peiping from 95.80 to 84, the average for the year being 91.2, more than 4 percent lower than in 1931.

E. Kann on the Position of Speculators in the Silver Market (Finance and Commerce, 4/12/33)

While silver prices abroad showed no material change from last week, the Shanghai market displayed distinct symptoms of weakness which culminated in general buying of foreign currencies.****There exists an overbought silver position of about 70,000,000 ounces and "bulls" are getting impatient. In America the open silver position is estimated to aggregate 25,000,000 ounces; in London about 20,000,000 ounces are thought to be "long" largely for account of Indian speculators, while Shanghai's oversold position of U. S. \$7,000,000 represents another 25,000,000 ounces of overbought silver.

A Virtual Gold Embargo in Manchuria (Minister Nelson T. Johnson, Peiping, 5/3/33)

The present administration of Manchuria has drafted regulations providing virtual prohibition of gold exports. The regulations, it is expected, will be put into effect this month, and special license will have to be obtained before gold may be exported.

Silver Price Increase Affects Costs in China (Commercial Attache Julean Arnold, Shanghai, 5/5/33)

Although Shanghai trade is active from the standpoint of most American products owing to the higher value of silver following the suspension of the gold standard in the United States, it is basically unsatisfactory, as indicated by reduced operations of numerous local mills, declining retail trade, reduced employment, and substantial curtailment of trade with interior China. The last development is coupled with the constantly increasing concentration of China's wealth in Shanghai and the declining value of copper coins vis-a-vis silver, which for the time being affects adversely the purchasing power of the masses. Exports generally have been dull, awaiting revival of interest abroad. Stocks and bonds are firm. Real estate sales have declined, and fewer building permits have been issued.

Central Bank Reorganizes Jehol's Currency (China Weekly Review, 4/8/33)

Preparations have been completed by the Central Bank of Manchukuo, at the instance of the finance authorities there, for the "renovation" of the monetary system in the Province of Jehol. Withdrawal of Jehol paper notes is being carried out in the important towns of the Province, including Chengteh, Chihfeng, and others. The rate of exchange for the now worthless Jehol paper money has been fixed at 50 Jehol paper notes to one yuan in the national currency.

Remissions of the Netherlands Boxer Indemnity (China Weekly Review, 4/15/33)

A recent telegram from The Hague stated that the remission to China of the Netherlands portion of the Boxer Indemnity since January 1, 1926, regarding which notes were exchanged in Nanking April 4, is being effected in accordance with a bill passed some time ago.

Manchurian Communications Agreement (Commercial Attache Halleck A. Butts, Tokyo, 4/18/33)

Manchuria and Japan have agreed to joint operation of Manchurian communications.

INDIA

(On May 25 one rupee = \$0.2953)

Note on the Budget (Trade Commissioner George C. Howard, Calcutta, 4/12/33)

The Government of India has issued revised statements in connection with the 1933-34 budget in which they state: "The Indian Finance Act, 1933, as passed by the legislature involves a reduction of 1,700,000 rupees in the income-tax revenue for the year 1933-34 as previously forecast. This reduction, which has been taken into account in these statements, has the effect of reducing the estimated revenue surplus from 4,161,000 rupees to 2,461,000 rupees. It has not been considered necessary at this stage to make any alteration in the estimates for the other changes in the finance bill as presented to the legislature, as their effect on the revenue position of the central government will be inapplicable."

New India 3½ Percent 300,000,000 Rupee Loan and Conversion Operations. (Trade Commissioner George C. Howard, Calcutta, 4/26/33)

Announcement has been made of a 300,000,000 rupee, 3½ percent loan, to be issued at 96, redeemable 1947-50, having a "cash" section of 150,000,000 rupees and a "conversion" section of a like amount under which are acceptable 4½ percent bonds 1934, 5 percent Treasury bonds 1935, and 6½ percent Treasury bonds 1935.

Since the conversion plan was inaugurated, new issues have replaced old to the amount of 579,300,000 rupees. The Government has provided for the payment of some 273,800,000 rupees for maturities in this fiscal year of 5 percent 1929-47, 5 percent-1933 and 6 percent-1933-36 bonds. Loans maturing within the next two years are: 4½ percent-1934, 259,800,000 rupees; 5 percent 1935, 128,300,000 rupees; 6½ percent 1935, 169,500,000 rupees; total, 557,600,000 rupees.

Assuming the new loan's success, some 729,300,000 rupees in conversions to lower interest and longer maturities will have been accomplished, and some 99,000,000 rupees will be available for the retirement of the 4 percent 1931-36 loan (notice of which retirement has been given), leaving some 50,000,000 rupees for Treasury "ways and means."

India's Customs Revenues for the Fiscal Year (Trade Commissioner George C. Howard, Calcutta, 4/20/33)

The total gross customs revenues (excluding salt revenues) for the year ending March 1933, amounted to 533,221,000 rupees, as against 477,389,000 rupees in 1931-32 and 478,472,000 rupees in 1930-31.

Madras Port Trust Reports (Same source)

The financial returns of the Madras Port Trust for the year just ended showed a decrease of 230,000 rupees in revenue. This is due principally to smaller imports of piece goods and iron and to the fall in the export of peanuts. The Trust effected economies of about 200,000 rupees during the year.

Bombay Silver Market (Same source)

The Bombay silver market for the week ended April 13 was firm during the early part but at the close there was a slight reaction. The daily offtake averaged 20 bars with stocks at 7,000 bars. Imports during the week amounted to 34,060 rupees in bar and coin.

Possibility of a Loan for Road Development (Same source, 4/27/33)

It has been repeatedly suggested that while money can be obtained at low rates of interest, now would be the proper time for the Government of India to arrange a loan for road development. The Finance Member, Sir George Schuster, in a discussion at the road-rail conference inferred that the Government would give favorable consideration to any proposal for raising a loan for financing capital expenditure on roads. The tenor of the discussions offer some encouragement for the materialization of such a loan but as pointed out by the Finance Member it will have to be expended on road development in rural areas and aimed at increasing economic productivity and not on developments of the Grand Trunk highway.

Tax on Incomes Derived Overseas (Samuel Montagu and Co., Weekly Review of Foreign Exchanges, 5/11/33)

The Bombay correspondent of the Economist writes, under date of April 17, that, despite fierce opposition from interested parties, the Legislative Assembly on April 12 -- a day or two before closing its session -- passed a bill to tax incomes from Indian investments abroad. A similar bill, which was a little more ambitious in its scope and which was intended to remove an unnatural inducement to the export of capital from India, was rejected by the assembly in February last year. The new bill is simple in its scope. As the law stood previously, the only class of income accruing abroad that could be taxed in India was income earned in the form of business profits remitted to India within three years from the date when earned. The bill extends that principle to cover all income, including income from investments, and abolishes the three years' limitation.

Bombay Gold and Silver Markets (Trade Commissioner George C. Howard, Calcutta, 4/27/33)

During the week ended April 22, the gold market has been firm at 30-5-6 rupees per tola and 19-2-0 per sovereign for ready gold. (One tola = three-eighths ounce troy.) The weakness in dollars seems to have ceased to influence the market, owing to the reimposition of an embargo on the exportation of gold from the United States. Great uncertainty prevails, in view of the sentiment for inflation in America. Stocks are about 150,000,000 tolas at Bombay at 20,000,000 to 30,000,000 tolas at Calcutta. Bar gold and sovereigns to the total value of 757,140 rupees were exported from Bombay during the week ended April 22. Gold exported from Bombay since England went off the gold standard amounted to 1,224,738,253 rupees.

Violent fluctuations prevailed in the silver market during the week under review. A strong bullish activity continues owing to strong sentiment in America for a rise in silver prices. Despite Chinese selling, the price in London advanced from 17 15/16d. to 20 7/16d. per standard ounce, the market being entirely in the hands of American speculators who generally bid at a higher rate in London in the afternoon, when sellers are scarce. The Shanghai exchange in terms of dollars improved from 1s. 2 7/16d. to 1s. 3 1/4d. with an easier tendency. The local price per 100 tolas improved from 57-5 rupees to 60-15 rupees but now rules at 60 rupees for May settlement, while London parity is 64 rupees. The cause of this disparity seems to be the "distress" silver coming into the market for sale. Various reports circulate about the rehabilitation of silver coming into the market which has become very sensitive. Stocks are about 7,000 bars at Bombay and 1,200 bars (excluding 500 bars in the hands of a strong bull) at Calcutta with a nominal offtake of about 15 to 20 bars at the former and 3 to 5 bars at the latter.

JAPAN

(On May 25 one yen = \$0.2408)

Head of Bank of Japan Makes Address on Low Exchange Benefits (Assistant Commercial Attache William S. Dowd, Tokyo, 4/15/33)

The press states that the Governor of the Bank of Japan delivered an address in which he reviewed the present financial situation. He emphasized the fact that the decline in yen exchange had led to higher prices and promoted the export trade with consequent benefit to Japanese business and industry. On the other hand, financial recovery in the world has not shown any marked improvement, and following the improvement in Japan which began last June a decline has been witnessed since February. He pointed out that the general industrial situation had shown little improvement except in a few export lines which were benefited by the drop in the yen, and in plants engaged in production of munitions. He also pointed out that active demand for funds is slack, with a resulting weakness in the money market. The largest movement of funds has been due to Government appropriation for farm relief and munitions. As a consequence, call money rates fell below one sen per day for the first time and now can be had by sound borrowers for six-tenths of a sen. (100 sen = one yen) Improvement, according to his statement, has been noted as a result of the revision of the mortgage law and the adoption of the so-called open-end mortgage system.

Japan's Trade Figures (Same source)

Foreign trade for the first ten days of April showed an excess of imports totaling 12,792,000 yen. Exports amounted to 40,989,000 yen, and imports to 53,781,000 yen. The comparatively small unfavorable balance during the last ten days of March was due to the seasonal trend, imports of raw cotton declining sharply. Exporters to India, where a substantial market has been built up, are very much exercised over the customs action taken in India. It appears certain that the commercial treaty with Japan which expires this year will not be renewed since India is determined to increase its import tariffs and will probably adopt dumping duties. This action will probably restrict severely the exports to India of cotton textiles, cement, etc. It is reported that the Government has persuaded the Japanese firm which is the largest importer of Indian pig iron, to reduce its imports to the amounts urgently required and to handle them through the Cooperative Pig Iron Sales Association.

A review of the cotton textiles exported since the beginning of the year indicates that not only have the total amounts increased, but the kinds and varieties of cloth have been extended by efforts to exploit new markets. According to press reports of the investigations made by the Cotton Weavers Association, a comparison between the first three months of this year and last indicates that the quantity of exports increased 86 percent, and value 152 percent. As a result of this activity, stocks are showing a decrease.

Bank of Japan Statement

The Bank of Japan's statement of April 15, 1933 shows the following chief items:

	<u>Liabilities</u>	<u>Yen</u>
Notes issued		1,031,708,008
Government deposits:		
Current account	312,328,330	
Other	<u>123,641,876</u>	435,970,207
Other deposits		<u>220,011,797</u>
Total liabilities		1,979,135,963

Assets

Cash and bullion:

Gold coin and bullion	425,069,755	
Others	<u>43,524,050</u>	468,593,805
Bills discounted		647,808,568
Advances to Government, Art. 2, bank note act		22,000,000
Other advances to Government		2,924,756
Advances		27,056,100
Advances on foreign bills		29,966,205
Government bonds		628,227,496

Price of Gold, Gold Shipments (Assistant Commercial Attache William S. Dowd, Tokyo, 4/18/33)

The Department of Finance announced that, effective March 27, the buying price for gold bullion would be 9.25 yen a momme, a reduction of 4 sen from the last quoted price. This figure was based on yen exchange at 0.2119. General market quotations are approximately 9.30 yen.

The first shipment of gold from Japan to the United States for this calendar year left Yokohama March 28. It represents part of the open-market purchase of gold by the Government. The total amounted to 1,200 kwan, valued at 11,200,000 yen (One kwan = 120.57 ozs. troy.) It is stated that this shipment was made by the Bank of Japan in order to meet service on the Government's foreign debts, and for miscellaneous expenses. Financial circles appear to regard this shipment as unnecessary.

Prices in Japan (Release of the Bank of Japan, March 1933)

The wholesale price index for recent months, as published by the Bank of Japan, has been as follows:

<u>1932</u>		<u>1933</u>	
July	147.7	January	185.0
August	155.8	February	179.6
September	167.4	March	177.4
October	169.1		
November	177.9		
December	184.6		
Average for 1932 ..	161.1		

Price Decline Reported (Commercial Attache Halleck A. Butts, Tokyo, 5/18/33)

The wholesale price index number is reported lower.

Utilities May Buy Dollar Bonds (Same source)

The electric power companies may import foreign-currency bonds for use as collateral here. Security prices are well maintained. Investment buying is increasing.

Extensive Reform of Tokyo Stock Exchange Planned by Commerce Ministry (Japan Weekly Chronicle, 4/13/33)

The Department of Commerce and Industry may shortly carry out an extensive reform of the Tokyo Stock Exchange. The first move will probably be the "adjustment" of brokers, whose financial status is not up to standard.

South Manchurian Railway Budget; Increased Profit of 10,787,000 Yen Anticipated Next Year
(Japan Weekly Chronicle, 4/13/33)

The South Manchurian Railway Company has now secured Government approval of its "business" budget and "new enterprise" budget for 1933-34.

NETHERLAND INDIA

(On May 25 one florin = \$0.4666)

The 1934 Budget (Trade Commissioner Richard P. Hendren, Batavia, 4/25/33)

Java Bodet of April 18, 1933, a newspaper, writes: "During the past week several meetings of the officials of the Department of Finance and the Council of India have taken place to estimate the 1934 budget. The estimates arrived at indicate that the receipts will be even lower than expected. The revenue is estimated provisionally at 310,000,000 florins, including about 30,000,000 florins from new taxes. The deficit is estimated at 120,000,000 florins, but it is expected that the Government will be able to reduce it by half. (Editor's note: In view of the present trend, it appears extremely doubtful that the estimated deficit will be reduced at all, and it is the opinion of several officials and merchants that the deficit figure as stated above is much too low.)"

NEW ZEALAND

(On May 25 one New Zealand pound = \$3.1312)

Budget to be Balanced (Trade Commissioner Julian B. Foster, Wellington, 5/1/33)

The Minister of Finance has announced that the Government was able to balance its budget for the year ended March 31, 1933. A deficit of from one to two million pounds had been originally anticipated. Income tax revenue was higher than had been anticipated, and the retrenchment program was more severe than originally planned.

New Zealand Exchange Arrangements (The Australasian Insurance and Banking Record, 3/21/33)

The New Zealand Government has brought in an amendment to the banks indemnity (exchange) act to provide that the Bank of New Zealand shall purchase exchange from another bank at a rate based on the fixed exchange rate in excess of the amount of exchange sold by it on or after January 20, 1933. This amendment, the Prime Minister explained, makes it clear that the Government will not be responsible for any surplus before January 20.

The Rate of Interest in New Zealand*

The report on this subject is available for loan. Refer to Economic and Trade Notes No. 106, dated April 21, 1933.

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

Philippine Government Finance and Budget, 1931-1932 (Trade Commissioner E. D. Hester, Manila, 4/18/33)

The following are final figures available in respect to Philippine Government finance and budget, calendar years 1931 and 1932.

	<u>1932</u>	<u>1931</u>
	<u>Pesos</u>	<u>Pesos</u>
Unencumbered cash surplus, January 1	5,850,676	13,066,550
Income during year, final treasury figure	<u>61,226,231</u>	<u>69,205,623</u>
Available for year	<u>67,076,907</u>	<u>82,272,173</u>
Legislative appropriations during year, including debt service, capital outlay and continuing appropriations	71,790,000	78,367,874
Expenditures during year, final treasury figure	<u>65,721,648</u>	<u>76,421,497</u>
Administrative savings	<u>6,068,352</u>	<u>1,946,377</u>
Unencumbered cash surplus, December 31 ("3" less "6")	<u>1,355,259</u>	<u>5,850,676</u>
Operating deficit, December 31 ("6" less "2")	<u>4,495,417</u>	<u>7,215,874</u>

On a basis of operating expenses, the budget was not balanced but the operating deficit was, however, 38 percent less than in 1931 because appropriations were approximately 6,600,000 pesos less and savings were approximately 4,100,000 pesos greater than in 1931.

Banking Dividends Suspended (Assistant Trade Commissioner Rohrer, Manila, 5/19/33)

The Bureau of Banking recently announced suspension of dividends for 1933 by domestic banks, in order to increase their cash reserves. Banks affected by the order are the Bank of the Philippine Islands, the China Banking Corporation, the Philippine Trust Company, and the Peoples Bank and Trust Co.

SOVIET RUSSIA

Platinum Currency Likely to be Issued Again (Weekly Bullion Letter, Samuel Montagu & Co.,

A Reuter message from Moscow dated May 9 states that: "The possibility of the introduction of a platinum currency in the Soviet Union is being freely discussed, and it is thought that the question is being seriously considered by the authorities. The currency, it is suggested, would be merely for internal use and for the convenience of tourists and foreign residents, who hitherto have been forced to use American dollars or sterling for purchase at the Government Stores of commodities which cannot be purchased for rubles. The U. S. S. R. possesses the largest platinum reserves in the world amounting to some 7,000,000 ounces, whose output is controlled by the Ural Platinum Trust and exported through the commissariat for finance at prices based on the London market. Before the war, Russia had almost a world monopoly in the supply of platinum, the only other important reserves being in British Columbia (Colombia is probably meant) and, today, the U. S. S. R. still leads the world in production.

"It is in view of the uncertainty of the platinum market that the Soviet Finance Commissariat is believed to be seriously considering the introduction of a platinum currency in order to meet the increase of output of the metal and at the same time for the convenience of foreigners. The currency, it is thought, would be purchasable only for foreign "valuta," in order not to restrict the supply of dollars and sterling so essential for the meeting of Soviet commitments abroad."

SIAM

Siam's Budget for 1933-34*

The Finance and Investment Division has received some newspaper clippings from Assistant Trade Commissioner J. D. Walstrom, Bangkok on the above subject.

TURKEY

(The Turkish pound is worth approximately \$0.47 9/16)

Turkish Budgetary Position (Commercial Attache Julian E. Gillespie, Istanbul, 5/1/33)

The Turkish Ministry of Finance reports favorable March collection of taxes. It is now believed that revenue estimates for the current fiscal year will be fully realized. (Fiscal year begins June 1.)

Agreement Relating to the Payment of the Turkish Share of the Ottoman Public Debt (Same source, 5/3/33)

An official communique published in the Turkish press on April 25, states that an agreement was signed April 22, in Paris by the representative of the Turkish Government and the delegates of the bondholders. This agreement replaces the agreement signed in Paris in 1928, which has not been operative for the last several years.

According to the new agreement the debt has been reduced and will be consolidated in the issuance of new bonds having a total nominal value of 962,632,000 French francs, which will be represented by 1,925,264 registered bonds of a nominal value of 500 francs each. The new bonds will bear interest at the rate of 7½ percent per annum, payable semi-annually.

The Turkish Government will pay annually 700,000 gold Turkish pounds until the debt is fully funded and liquidated. The first annual instalment of 700,000 Turkish gold pounds will be paid June 1, 1933.

The communique further states that the new agreement will be submitted to the Turkish Parliament for ratification at the present session, and that full details of the agreement will not be made public until the annual report of the Council of Bondholders is published.

Proposed Turkish Banking Legislation. (Same source, 4/27/33)

A new Turkish banking act which has for its object the encouragement of saving accounts and the protection of individual banking deposits, will shortly be introduced in the Turkish Assembly. This legislation is believed to be a result of the collapse during the past year and a half of three small Turkish financial institutions. The proposed law requires that all banks in Turkey report to the Ministry of Finance the date of their foundation, number of branches and agencies in Turkey and abroad, nature of the operations, and amount of capital and reserves. Foreign banks operating in Turkey will be required to indicate the amount of operating capital which they have available for use in Turkey.

On the basis of these declarations the Ministry of Finance will decide whether or not a bank may accept deposits. To accept deposits, banks operating in cities of a population in excess of 250,000 must have a paid-in capital, or operating capital in the case of foreign banks, of at least 1,000,000 Turkish pounds. In cities where the population is between

100,000 and 200,000, a paid-in capital or operating capital of at least 500,000 Turkish pounds is necessary. In localities where the population is between 50,000 and 100,000, a capital of 250,000 Turkish pounds is required. In localities of less than 50,000 inhabitants, a capital of at least 100,000 Turkish pounds is required.

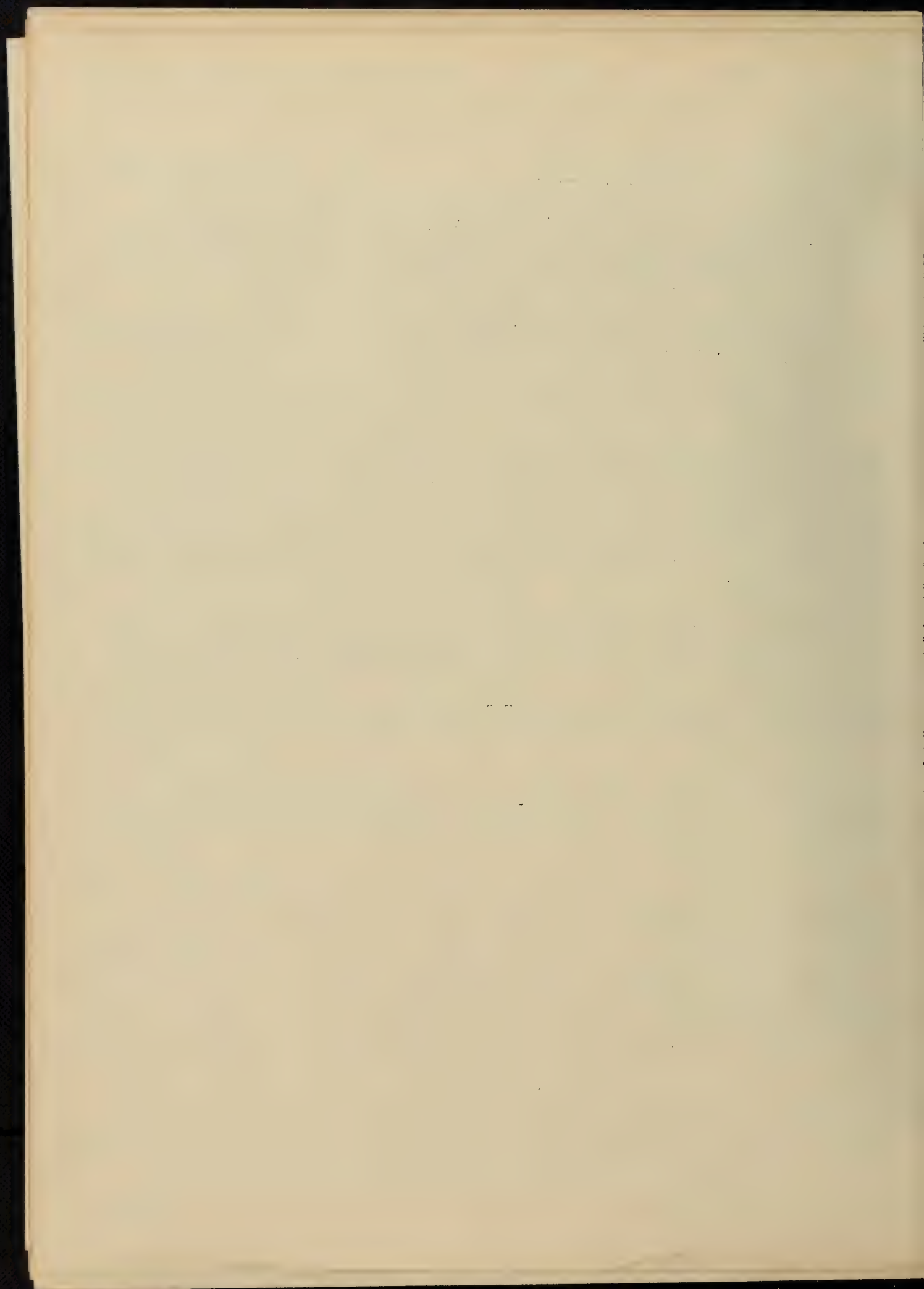
Persons interested in other details may borrow the report by referring to Special Report No. 79, of April 17, 1933.

Report of Ish Bankasi (Near East and India, 4/13/33)

The last report of the Ish Bankasi, which has just been published, does not give the exact amount of its participations in various commercial, industrial, mining, and other enterprises, nor the extent of its liabilities in connection with them. Absence of such information greatly deprives this report of the interest due to Turkey's most active and vital banking institution. It will, however, be interesting to record that the capital, which amounts to £T5,000,000 has been reinforced by reserves amounting to £T2,540,000, and that two items of £T1,200,000 and £T1,419,000, are provided for as special reserves and amortization funds.

GROSVENOR M. JONES,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

Far Eastern Financial Notes No. 136

June 19, 1933

SUBSCRIPTION RATES, per annum:	Far Eastern Financial Notes.....	\$1.00
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Note: In giving quotations or summaries from foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein.

Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

Monetary Use of Silver in 1933

Under the above title this Division has issued Trade Promotion Series No. 149. The bulletin is a world-wide survey of the monetary use of silver today. Copies are obtainable at ten cents each from the Superintendent of Documents, Government Printing Office, Washington, D. C., or from any district or cooperative office of this Bureau.

AUSTRALIA

(On June 9 one Australian pound = \$3.2658)

New South Wales Finances Show Improvement (Trade Commissioner E.C. Squire, Sydney, 5/8/33)

New South Wales finances now show decided improvement. The budget report for the first ten months of this year shows a deficit of only £2,800,000, an improvement of £3,000,000 over a year ago; the deficit of £9,770,000 for the first ten months of the previous fiscal year was due largely to repayments on defaults which had been made good by the central government.

Postponement of Australian War Debt Payment (Consul General John K. Caldwell, Sydney, 4/13/33)

It was announced on March 22 that Great Britain had agreed to a further postponement of Australia's war debt payments, pending the settlement of the general question of international debts. The payment due March 31, 1933, was £1,960,000, equal to £2,450,000 in Australian currency.

Payment by Commonwealth Government of Interest on New York Loans (Consul Albert M. Doyle, Sydney, 5/5/33)

Very little comment has appeared in the Sydney press on the payment by the Commonwealth Government of interest due in New York May 1, 1933, in paper dollars. It is reported that objections have been raised by some bondholders, who claim performance of the contract to pay in gold. No statement has been made by the Commonwealth Government. On April 26, 1933, the Prime Minister, in reply to a question in the House of Representatives, said that no statement of policy could be made on the subject at that time, adding that the Commonwealth Government was acting in the closest cooperation with the British Government in these matters.

Australian Exchange Rates (Trade Commissioner E. C. Squire, Sydney, 5/1/33)

Exchange rates are as follows:

Australia-on-London	T. T. official buying rate)	25 percent
	Spot and within 14 days)	premium
	28 days	24 $\frac{3}{4}$ percent premium

"Outside" market - £25. 7s. 0d. percent

Tendency - Firm.

Banking and Politics*

Under the above title the Australasian Insurance and Banking Record of April 21, 1933 carried an article on the proposal to make the Commonwealth Bank of Australia more truly a central bank.

CHINA

(On June 9 one yuan = \$0.2589)

(China Monthly Trade Report, May 1, 1933)

Manchuria's Budget

The budget for Manchuria of 113,308,055 yuan, for the current fiscal year, is now expected to show a deficit of approximately 12,000,000 yuan. Since this figure includes unusual expenditures in connection with the flood in North Manchuria last fall, the deficit is stated to be surprisingly low and is said to indicate a better tax return than was expected. The deficit is covered by a 30,000,000 yen bond issue floated in Japan last fall. Preliminary estimates issued by the Government place revenues for the following year at approximately 120,000,000 yuan. The program of redeeming the many different types of currency has continued, as a result of which the new Manchurian yuan is attaining a greater circulation and is enjoying greater public confidence. It still maintains approximate exchange parity with Shanghai. The Central Bank also appears to be enjoying an increased degree of confidence. Officials of the bank have now ceased their purchases of soya beans and it is stated that the movement was undertaken for a short period only in order to build up reserves by purchasing beans with Central Bank notes and selling them in Dairen for silver yen.

Budget for 1933-34 Announced (Commercial Attache Julean Arnold, Shanghai, 6/3/33)

The Central Government budget for the fiscal year beginning June 1 totals 629,807,000 yuan. This includes all ordinary revenues, and is 48,000,000 yuan below last year's estimated revenues. The decline is largely attributable to loss of revenues in Manchuria.

Manchuria to Collect Customs Duties in Silver (Assistant Trade Commissioner Louis C. Venator, 4/27/33)

It has been officially announced that customs duties in Manchuria will henceforth be assessed in Manchurian yuan instead of in gold units and haikwan taels. An arbitrary exchange rate has been set to cover specific duties in the existing tariff.

Temporary exchange rate is as follows:

One customs gold unit	=	1.95	Manchurian	yuan
One haikwan tael	=	1.56	"	"

Since, at this exchange rate, silver is valued at slightly less than in currency financial transactions, specific duties will be somewhat increased as long as it is maintained.

It is reported that the Finance Ministry of the new Government is at present working on a new tariff schedule to be promulgated in June. Except for a few concessions to Japanese interests, it is believed the new schedule will not differ greatly from the old.

British Boxer Indemnity Loans (China Monthly Trade Report, May 1, 1933)

The board of trustees for the British Boxer Indemnity Refunds has approved two loans of £100,000 each for the purchase of materials for the Shiuchow-Lokchong and the Canton-Shiuchow sections of the Canton-Hankow Railway and a loan of £20,000 to the Huai River Conservancy Board on behalf of the Ministry of Communications for the purchase of telegraph supplies. One for 100,000 yuan for the National Reconstruction Commission for the Nanking Electric Works and another for the same amount for the Ministry of Industry for the establishment of an industrial alcohol factory have been referred to the Finance and Technical committees of the board for examination. The terms for the British Boxer Indemnity refund require that monies from it be used for the purchase of British goods whenever possible.

Tael Abolition Proceeds Gradually (China Monthly Trade Report, May 1, 1933)

On April 6 a decree of the Central Government at Nanking abolished the tael as a unit of currency and established an official conversion rate of Shanghai taels 71.5 to 100 yuan. The Tientsin tael is at a premium of 6 percent against the Shanghai tael and conversions will be made here at the rate of 67.45283 to 100 yuan. While foreign banks in Tientsin are inclined to cooperate in the abolition of this ancient unit of currency the actual details for the conversion of sycee into yuan have not yet been established and at present the tael has not yet passed from the scene. Heavy fluctuations in the value of silver currency, especially pronounced during the period under review, have for a long time been a serious handicap to importers and exporters. Foreign business for the last ten days has been brought almost to a standstill by exchange uncertainties. Complaints may be heard on all sides to the effect that business men are compelled by present circumstances to devote more and more of their effect to speculation in exchange and less and less to their legitimate business. Lack of accurate information with regard to the probable financial policy of the United States added confusion to a situation already unsatisfactory. The announcement on April 20 that the gold standard had been abandoned was followed by a sharp rise in the value of silver currency in terms of the United States dollar. Local merchants

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hope, however, that the adoption by the Administration of a definite program as regards international trade will have a beneficial influence and that the exchange ratio between silver and other currencies will settle to a level more favorable to such trade.

China Now Minting New Yuan (Commercial Attache Julean Arnold, Shanghai, 5/27/33)

The Shanghai mint is now coining the new yuan with the new die recently received from America. Coinage is proceeding at the rate of about 250,000 yuan daily.

New Farmers' Bank Issues Currency Notes (China Monthly Trade Report. 5/1/33)

Many disturbing financial factors complicate the business situation. The branches of the newly-created People's Agricultural Bank of Four Provinces, opened April 1 in Hupeh, Honan, Kiangsi, and Anhwei, issuing quantities of 10-cent, 20-cent, and 50-cent notes. The National Government, which controls the new institution, has given no intimation how much currency is being issued nor the security pledged for the notes. Hupeh authorities have met with considerable opposition from Chambers of Commerce and individuals in attempting to float a \$3,000,000 rehabilitation loan for "building roads and anti-Communist campaigns." There was no indication that any agreement had been reached for subscribing this loan.

Railway Issues Scrip (Same source)

An interesting development in South China finances has been the issuance of scrip by the Sunning Railway. Since November the railway has issued 250,000 yuan Kwangtung currency worth of script in denominations of one, five and ten yuan and has maintained its issue at par with the Provincial silver coinage despite depreciation in certain denominations of Kwangtung banknotes.

Details of How the Netherlands Boxer Indemnity Fund Will be Used (China Weekly Review 4/22/33)

The negotiations for the remission of the Netherland portion of the 1901 (Boxer) Indemnity concluded on April 4 in an exchange of notes between Dr. L. Wen-kan, Minister of Foreign Affairs, and W. J. R. Thorbecke, Netherlands Minister to China, provide that the Netherland Government will remit all payments of the indemnity as from January 1, 1926, to the Chinese Government. Sixty-five percent of the fund remitted is to be devoted to conservancy work in China and the remaining 35 percent to cultural purposes.

Of the amount set aside for conservancy work, 400,000 yuan will be used for a survey and research institute in Nanking and the remainder for conservancy work in the same city, the board of trustees for this consisting of two Chinese members and one Dutch member.

In regard to the 35 percent for cultural purposes, 400,000 guilders shall be at once set aside out of the funds accumulated since January 1, 1926; the board of trustees for this will consist of the Chinese diplomatic representative at The Hague, the president of the literary section of the Royal Academy of Science at Amsterdam and the president curator of the University of Leiden.

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In order to further the cultural relations between China and the Netherlands, 53 percent of the yearly income from the cultural endowment fund shall be handed over each year to the Academia Sinica in China, which will use 13 out of this 53 percent as a subsidy to the activities of that institution, and the remaining 40 percent in the form of scholarships for Chinese scholars and students to be sent to the Netherlands. The remaining 47 percent shall be donated each year to the Sinological Institute of the University of Leiden, which will apply the money in such a manner as will promote the cultural relations between China and the Netherlands.

Arbitrage Profits in Exporting Silver From Shanghai (Finance and Commerce, 4/26/33)

Until quite recently local exchange quotations have been about 5 percent under silver parity. Now they stand about 15 percent below par. This fact enables banks to export silver from here with profit. On April 23 the first shipments left port by the "Empress of Canada". Below is recorded a prospective "outturn" of such shipments, which will probably be made in sycee. Let us consider as a basis for calculation Friday, April 21, when inter-bank T. T. for June could have been obtained here at say U.S. \$24 per 100 yuan. Silver in New York was cabled here as 35½ cents per ounce.

On this basis we have to deduct the following item:

	<u>Cents</u>
Charges and interest, say 1 percent	0.355
Coinage fee (or export duty) 2¼ percent	.798
Refining and melting in America, 1¢ per oz.	1.000
Tolerance, say ½ percent	.177
Cartage, commission and incidentals	.170
	<hr/>
	2.50

The constant is 0.756087*, which, multiplied by 35.5 = 26.84 ¢	
T. T. parity at Shanghai	
Less 2.50 ¢ (7 percent on 26.84)	= 1.88 ¢
	<hr/>
	24.96

or 4 percent profit, containing sufficient margin for eventualities.

*For formula see Finance and Commerce of April 12, 1933.

Imports of Silver Bullion into Shanghai from Foreign Countries during March 1933 (Consul Richard P. Butrick, Shanghai, 5/8/33)

<u>From</u>	<u>Article</u>	<u>Troy ounces</u>	<u>Value in United States currency</u> (a)
United States	Bars	1,581,639	408,354
Great Britain	"	250,627	64,418
Hong Kong	"	380,000	97,120
India	"	37,162	9,432
Straits Settlements	"	10,400	2,691
Hong Kong	Broken coins	3,456,100	892,724
Kwantung Leased Territory	Sycee	---	48,691
Hong Kong	"	---	<hr/> 9,704
Total			1,533,134

- (a) The Chinese Maritime Customs records the values of silver bullion imports into Shanghai from abroad in yuan. The equivalent of the yuan during March 1933 at the average sight exchange in New York was 21 cents, United States currency. Conversions have been made at this rate of exchange.

Silver Coins Shipped from Hong Kong (Finance and Commerce, 4/26/33)

It is reported that shipments of 20-cent Cantonese coins (whose export from Canton is prohibited) are about to go forth from Hong Kong to America. This mode has the advantage of saving the 2½ percent export duty which is being levied on such consignments when leaving China ports.

Silver Stocks Increase (cable from Commercial Attache Julean Arnold, Shanghai, 6/3/33)

Silver stocks are again rising.

Silver Shipped to Singapore (Finance and Commerce, 5/3/33)

Recently 1,000,000 taels of silver were shipped to Singapore.

Government Loans to Manchurian Farmers* (Assistant Trade Commissioner in Charge C. E. Christopherson, Mukden, 4/12/33)

There has been submitted under the above title and date a six-page report from Mukden. The Central Bank of Manchuria has announced that loans totalling 20,000,000 Manchurian yuan (U. S. \$4,000,000) will be made to farmers in Manchuria through the authorities of Heilungkiang, Kirin and Fengtien Provinces. These loans are primarily for the purpose of aiding those farmers, who have suffered from floods and military operations, to purchase the necessary seeds and equipment for their spring planting. The funds are to be divided among the three provinces as follows:

Heilungkiang, 10,000,000 yuan; Kirin, 6,000,000; and Fengtien, 4,000,000 yuan.

The authorities of each Province shall appoint and supervise sub-committees consisting of local magistrates, bureau directors, chairmen of chambers of agriculture, and leading citizens to issue loans in their respective districts. (There follows a translation of the regulations drawn up for Heilungkiang Province. The regulations are practically the same as those for Kirin and Fengtien Provinces.)

Cable Investments Taken over by Chinese (China Weekly Review, 4/29/33)

The traffic offices of the Great Northern, Eastern Extension and Pacific Commercial Cable firms in Shanghai will be taken over and reorganized by officials of the Chinese Government Radio Administration of the Ministry of Communications on May 1, according to an official announcement made recently through the Chinese Government Telegraph Administration.

Dutch Indemnity Used for Railway (Commercial Attache Julean Arnold, Shanghai, 6/3/33)

A contract has been signed for financing a 36 kilometer extension of the Lung Hai Railway in Shensi Province and 30 kilometers under construction at the eastern terminal, where harbor development work to the extent of 3,000,000 yuan is proceeding with the refund of the Dutch Boxer Indemnity. The work must be done under Dutch auspices and with Dutch materials.

Railway Losses are Heavy (same source)

The Ministry of Railways report on 15 national railways for the year ended June 1932 reveals losses of upwards of 14,000,000 yuan, due to unpaid military transportation, military subsidies, and interference.

China Merchants Line Seeks Boxer Funds (same source)

The China Merchants Steam Navigation Co., a large semiofficial concern, is reported in negotiation for a 7,000,000 yuan loan on the basis of British Boxer Indemnity funds. The loan is for the purchase of new or secondhand ships for river and coastal trade.

South Manchuria Railway -- Manchukuo Government Agreement for Operation and Financing of Manchurian Railways*

The Finance and Investment Division has the text of the above agreement. Please refer to report No. 64427.

INDIA

(On June 9, one rupee = \$0.307)

New Sterling Loan A Success (Trade Commissioner J. Bartlett Richards, Calcutta, 5/11/33)

A new Indian sterling loan of £12,000,000 was announced on May 9. The proceeds will be used to redeem a £7,000,000 loan maturing 1933-35 and part of a £10,000,000 loan redeemable after December 15, 1933, both at 6 percent. The new loan, bearing 4 percent, was issued at 97½ thus yielding 4.1 percent if it is retired on December 15, 1953, the due date. It may, however, be retired any time after December 15, 1948, in which case the yield would be as much as 4.22 percent. The loan was very successful, closing within half an hour heavily oversubscribed. The terms are severely criticized in India, however, as being excessively generous.

Indian Loan Floated (Trade Commissioner George C. Howard, Calcutta, 5/4/33)

The loan floated on April 28 was closed within one hour of the time of opening; but it was a rude shock to certain sections of the market to find that the cash subscriptions, which had been received in time, obtained full allotment while the treasury bills and 1929-47 loan, 1933 and 1933-36 bonds were entirely excluded. This meant that the shortage of money was not just a matter of one day, or at most over the week-end, but would last until sufficient

treasury bills matured. 155,000,000 rupees were subscribed to the cash section of the loan, of which 45,000,000 were subscribed in the form of 1916-17 conversion loan, leaving 110,000,000 rupees of actual cash. Against this approximately 50,000,000 rupees came back to the market in repayment of treasury bills during the last four days of April, and approximately 45,000,000 rupees during the first five days of May.

Chambers of Commerce Urge Gold Embargo and Severance of Link with Sterling (Financial News, Bombay, 4/22/33)

At the sixth annual meeting of the Federation of Indian Chambers of Commerce and Industry held April 5 at Delhi the following resolutions on gold and currency were adopted:

This Federation views with alarm the continued outflow of gold from India valued at over 1,200,000,000 rupees since September 1931 and regrets the policy of inaction on the part of the Government of India in spite of strong protests by the Indian mercantile community. In view of the huge loss of the immense potential strength which the gold resources of India might have supplied to the future reserve bank, this federation reaffirms the necessity of steps being taken forthwith by the Government to put an embargo on the export of gold and to buy gold in India for the purpose of strengthening the currency reserve at the rates equivalent to sterling rates of gold in London.

This federation protests against the Government policy of keeping the rupee linked to sterling and urges that the rupee be allowed to find its own level.

While speaking on the above resolution Mr. Chunilal B. Mehta said:

"It is an unfortunate tragedy of Indian public finance that invariably in every matter concerning currency, exchange, and other monetary problems of India there is difference of opinion between the Government of India on the one hand and well-informed public opinion in India on the other. This continues to be so since (sic) many years and even today there is nothing to suggest that the situation has changed in spite of all talk of political reforms towards Dominion Status. During the last 15 years or so we had the controversy regarding 2s. ratio and then again 18d. ratio and now, there is perhaps no greater controversial question than gold exports, a matter in which the Government have totally ignored the best interests of the country. This resolution of the Federation on gold exports and rupee exchange states in unmistakable terms the Indian point of view.

"That acute economic distress is prevailing in India, especially in the last few years, is a matter of common knowledge. The distress and the sufferings of the people are painful and intense. The terrible fall in commodity prices have ruined many people, especially in rural areas, and agricultural industry -- the most important industry of India has ceased to be a profitable business.

"Under such dire circumstances and out of sheer distress people have been forced to fall upon their reserves and to sell their gold to meet their requirements, and long before the rupee was divorced from 18d. gold in September 1931, distress gold was actually coming upon the market and about 100,000,000 rupees worth of gold was actually sold to the Govern-

ment at the statutory price of 21-3-10 rupees. The gold was coming out for sale and was being purchased by the Government and the currency in circulation came to increase. Therefore, in spite of economic distress there was no complaint against Government on this score as the gold with the people was being transferred to the currency reserve for functioning in the manner and to the extent it should do. The greatest source of satisfaction was that "distress" gold was retained within the four walls of the country and did not leave its shores.

"However, since September 1931, the position has changed, and day after day, gold continues to be exported from this country. The total of such gold exports since September 1931 now approximately 1,200,000,000 rupees and still gold is leaving country at the rate of 10,000,000 rupees a week. This federation and various other public bodies in India have vainly urged the Government to prohibit the gold export from this country and day by day public opinion is getting stronger and stronger on this point. In the budget speech of 1932 Sir George Schuster tried to defend the policy of allowing gold exports from India, but not a single argument of his has convinced the people....."

India Currency Return of May 3

	Rupees	Increase + or decrease - on previous week
Notes in circulation	1,766,654,888	+3,023,415
Reserve - Coin and bullion	1,378,443,560	+4,465,446
Securities (purchase price)	388,211,328	-1,442,031
	<hr/>	<hr/>
	1,766,654,888	+3,023,415

Government Renews Silver Shipments (The Financial News, May 6, 1933)

The last shipment of silver from India on Government account was at the end of last December. The Government of India have now booked 1,349 ingots of silver valued at 2,298,380 rupees for shipment tomorrow for London. This shows that the policy of selling silver is still being continued by the Government. Perhaps the Government considers 20d. level high enough for its sales.

April Trade Figures Announced (Trade Commissioner George C. Howard, Calcutta, 6/2/33)

Merchandise imports, 96,900,000 rupees; exports, 102,000,000 rupees; reexports, 2,200,000 rupees; net exports of private treasure, 42,700,000 rupees.

Silver Sales of the Indian Government (Editorial in The Financial News, Bombay, 4/22/33)

It may be that owing to poor trade and a low price of silver, there is the flow of silver rupees into the Currency Department but this will stop when there is a sustained trade recovery. Therefore, the Government ought to be wise in retaining what silver it possesses.

There would have been some consolation if the Government had sold silver at some profit on the transaction. On the other hand, until now there is a net loss of about 250,000,000 rupees on silver sales and for obvious reasons the taxpayer is kept ignorant of this. Moreover, the people of India invested more heavily in silver than in Government securities. Estimates regarding the entire silver stocks in India vary from 3,000,000,000 to 4,000,000,000 ounces and these are distributed all over the country. The people of India have not acquired silver for purposes of speculation. They have given their labor and agricultural produce to acquire it. If this is depreciated by the action of Government, what must be the financial distress within the country? In India, a substantial improvement in the price of silver will have the same effect as an improvement in Government securities. We do not ask for protection for the silver mining industry but only to elevate the price of silver so as to increase the purchasing power of the people. An improvement in the rate of silver is not only urged by the producers of new silver but by several industrialists also. Leading British bankers like Sir Robert Horne, Mr. Darling, and others have been urging the same thing for a long time. Therefore, the Federation of Indian Chambers is perfectly right in asking the Government, in a resolution, to stop further sales of silver.

Bombay Bullion Market (Trade Commissioner George C. Howard, Calcutta, 5/4/33)

There were violent fluctuations in the Bombay gold market during the week ended April 28, but the trend was toward higher levels. Large purchases by banks as well as the weak Paris-London cross rate were responsible for the present condition. The daily offtake continued to be small at about 3,000 tolas with stocks 300,000 tolas. Imports during the week amounted to 73,892 rupees in bar and coin. (One tola = $\frac{3}{8}$ ounce troy.)

The Bombay silver market was firm and a large amount of interbazaar business for forward delivery was put through. The daily offtake was still about 20 bars with stocks at 6,700 bars. Imports during the week amounted to 50 bars from Rangoon and 42,751 rupees in coin.

JAPAN

(On June 9 one yen = \$0.2543)

The Next Budget -- Substantial Increase Seen in the Defence Estimates (The Japan Weekly Chronicle, 5/14/33)

According to an Osaka journal, the permanent officials of the Finance Department hold substantially the following views:

1. The budget for the next fiscal year threatens to reach enormous figures, if nothing effectual is done to check the growth. The army's demand for the armaments improvement expenditure will probably involve large sums. How far this demand should be accepted is a matter of the highest State policy. But at any rate, it is difficult to keep the general budget below 2,000,000,000 yen, no matter on what retrenchment lines it may be compiled.

2. The only way to ensure the soundness of the new budget is, therefore, to devise means to increase the revenue of the national treasury by a drastic tax increase program. Mr. Takahashi, the Finance Minister, seems averse to any tax increase plan, but there can be no other way to save national finance from the threatened bankruptcy. No matter who succeeds Mr. Takahashi as Finance Minister, the permanent officials of the Finance Department intend to recommend their revenue increase plans to him.

Exchange Control Ordinance Amended (Commercial Attache Halleck A. Butts, Tokyo, 5/22/33)

The Department of Finance issued a departmental ordinance, effective immediately, partially revising Article XII of Ordinance No. 7 pertaining to the Foreign Exchange Control Law. The revision was made to eliminate inconveniences which may be caused by the provisions of Article XII dealing with relations between corporations and shareholders in foreign countries, or vice versa. Article XII prohibited, except with special permission, the importation or exportation of securities. This is altered to permit the importation or exportation of securities where shareholders or directors are required to send shares or debentures to their respective corporations to meet obligations or to exercise rights.

Japanese Delegation's Instructions on Currency (Japan Weekly Chronicle, 5/11/33)

According to the Asahi, the main lines of the instructions to be given by the Government to Viscount Ishii, Japan's head delegate to the World Economic Conference, are as follows:

1. Currency and Credit policy.

(a) The Japanese Government believes that the currency problem forms the nucleus of the World Economic Conference, and that the solution of this problem is the prerequisite of the solution of all other issues. It accordingly attaches special importance to the determination of the relative values of international currencies, and is ready to cooperate sincerely for the attainment of this object. Inasmuch, however, as Japan has no actual power in the international exchange market, she will find it impossible to lift the gold embargo or to fix the exchange rate at a new parity, if it may be fixed by agreement. She must, therefore, demand a certain period of preparation, pending the establishment of a policy necessary for the stabilization of the exchange. Regarding the establishment of a credit which is indispensable to the execution of this policy also, Japan must ask for America's sympathetic consideration.

(b) Japan agrees to the recovery of the gold standard system in principle, but cannot accept any demand for the raising of the exchange rate to any point higher than the present rate of the depreciated yen, when fixing the ratio for this purpose. For it will seriously affect the Japanese industries which have become somewhat consolidated on the basis of the low yen exchange.

The Purchase of Outstanding Japanese Dollar Bonds (Commercial Attache Halleck A. Butts, Tokyo, 5/15/33)

The electric power companies, through petition have been granted limited authority by the Government to purchase their dollar securities. The Finance Ministry has granted specific authority to the Taiwan Electric Power Co. to purchase its bonds of about 5,000,000 yen. All other companies may purchase bonds of an aggregate value of about 40,000,000 yen.

It was first stated as desirable that the company should purchase its dollar bonds now in Japan, so as not to interfere unduly with exchange operations. The Government would not grant loans, but insisted that the companies should raise their own funds.

The Tokyo Light Co. proposed selling a large volume of shares which it holds in the Showa Fertilizing Co. and some of its power supply rights. The Toho Co. proposed selling some of its power rights to prefectures. The Daido Co. proposed selling a large block of cement shares and securing a certain amount of bank loans. It was evident, however, that the companies could not secure funds on a satisfactory basis and a further appeal to the Government resulted in authority to purchase bonds abroad and, contrary to regulations, to repatriate them, such bonds may be placed with insurance and trust companies as collateral.

Presumably the power companies will make some arrangement with insurance and trust companies to advance funds and thus eliminate the financial difficulties in the purchase of bonds abroad and permit their gradual retirement in local currencies. Undoubtedly, the same privilege will be extended to the Oriental Development Company and to the Tokyo and Yokohama municipalities.

Trade Financing Under the Exchange Control Law (Same source, 5/10/33)

The Exchange Control Law, approved at the last session of the Diet, was formally announced in the "Official Gazette" of April 26, and became effective May 1. The rules promulgated thereunder are much broader in scope than the original legislation. They prohibit speculative transactions in foreign exchange and provide for strict supervision of export shipments which are not accompanied by exchange bills. The new law contains 31 articles.

Under the new law, the Japanese Government may compel exporters to draw foreign exchange to the full amount of the value of goods exported. Article XIV of the law provides that an exporter need not cover the entire value of an export shipment by foreign exchange bills, provided arrangements are made for the return of the proceeds of the sale or the purchase of other merchandise abroad with the proceeds of sale, within a period of two months after the receipt overseas of the proceeds. It seems that exporters may arrange to negotiate drafts at time of shipment for only a percentage of the actual invoice value.

No Change in Policy Regarding the Yen (Same source, 5/1/33)

Minister Takahashi has not altered his original decision of a year ago not to interfere with the normal movement of exchange rates. Japan does not desire a radical upward movement of the yen, as it would retard any advance in prices which is as much desired in Japan as in the United States. There is no thought of utilizing a higher yen as a reason of resuming free gold movements. Such action would be premature, and it would probably be impossible to maintain any definite exchange rate.

Bank of Japan Governor Speaks on Inflation (Trans-Pacific, 4/20/33)

In addressing the bank's stockholders, Governor Hijikata stated: "Reckless currency inflation without regard to actual demand for funds from business and industry would have bad effects on finance. The Bank of Japan is on the alert to regulate currency circulation but it will be impossible for the central bank alone to remove all the attendant evils. We sincerely hope that the bankers will help us."

Takahashi Warns Savings Bank Men (Same source)

At the All-Japan Savings Bank Association convention Finance Minister Takahashi stated: "Savings banks in Japan in the past often were subsidiaries of ordinary banks. This proved a handicap and many of them failed. Of course, it is necessary for savings banks to cooperate with ordinary banks, but, if they are too intimate, they are likely to run into trouble. Savings banks managers should remember this and always endeavor to be independent. As a matter of fact, savings banks invest principally in Government bonds and other reliable securities but they should take special care in their investments at present, when money rates threaten to go off. They should avoid absolutely speculative deals in securities.

Development in Investment Banking (Commercial Attache Halleck A. Butts, Tokyo, 5/19/33)

The Industrial Bank of Japan has proposed that all future issues of bonds and debentures, except those of semiofficial companies, be secured by mortgages and that sinking funds be provided. All of the syndicate banks and bond houses have agreed to refuse to handle unsecured issues.

Note Issues at the End of April, 1933 (Same source, 5/11/33)

The outstanding note issue on April 30, 1933, as officially reported by the Department of Finance, Tokyo, was as follows: (in millions of yen)

Bank of Japan notes	1,137.6
Bank of Chosen "	108.0
Bank of Taiwan "	43.4
Government small "	11.3
	<hr/>
Total	1,300.3

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 42,273,916 yen on April 30, 1933.

Cable From Tokyo (Same source, 5/27/33)

Bank deposits and cash on hand are increasing while loans are down. Banks continue to purchase Government bonds.

The note circulation continues at about 1,000,000,000 yen.

The foreign trade outlook is less bright as a result of China's tariff action.

The Government proposes to control exports as to quantity and price, but exporters oppose this. Hence, success of the proposal is doubtful.

Wage levels and prices have been practically unchanged the past 60 days. Unemployment may increase slightly.

Far Eastern Financial Notes No. 136--14.

Japan's Balance of Payments (Same source, 6/3/33)

The preliminary balance of the national accounts for the fiscal year ended March 31, shows a "deficit" of 162,000,000 yen.

Japan Adopts Pure Nickel Coinage*

Under the above title the Far Eastern Review of April 1933 carries an article by James A. Rabbitt.

Official Institutions to Advance 40,000,000 Yen to Facilitate Cocoon Movement (Trans-Pacific 4/27/33)

Arrangements are being made to finance the spring cocoon movement. At the request of the Ministry of Agriculture and Forestry, government agencies have arranged to lend 40,000,000 yen to sericulturists and reelers.

The Japan Hypothec Bank has arranged to lend 10,000,000 yen to the sericulturists. The loans are to be advanced on the security of prefectural bonds.

Japanese Government Policy with Regard to Foreign Exchange*

The Finance and Investment Division has received a report with the above title from Vice Consul C. A. Hutchinson, Tokyo, dated April 21, 1933.

To Control Export Business (Commercial Attache Halleck A. Butts, Tokyo, 5/20/33)

The Department of Commerce and Industry and that of Foreign Affairs have decided, in view of the measures adopted abroad, that Japan's export business shall be strictly controlled. It is believed that the damage which the Government intends to correct has been so far-reaching that measures at this time will not eliminate threatened retaliation.

Taiwan Power Issue (Same source, 5/1/33)

The Taiwan Power Co. is issuing conversion debentures of 6,000,000 yen. They bear a 5½ percent coupon, will be sold at 98 and mature in 7 years. It is understood that this company is seeking a bank loan of 5,000,000 yen.

National Wealth Estimate (Japan Weekly Chronicle, 5/11/33)

The Statistical Bureau of the Cabinet made public the estimate of national wealth at the end of 1930 as 110,188,004,000 yen. The year 1930 was specifically chosen for this study because it is the year regarding which the national census and other statistical material necessary for calculating national wealth were available. Moreover, there was no gold embargo that year and consequently a stabilized currency.

Of the total national wealth, 12 percent is Government-owned; 4 percent public-owned, and 84 percent, private owned. Classified into kinds, land constitutes the single largest item at 37 percent; followed in order by buildings, 21 percent; and furniture and household goods, 11 percent.

Subsidies to the Export Trade (Commercial Attache Halleck A. Butts, Tokyo, 5/10/33)

The Finance Department reports that the Government for the fiscal year ending March 1933 purchased 3,501 indemnity export bills, valued at 9,420,000 yen. Russia is credited with 3,835,940 yen. The Yokohama Specie Bank handled 2,330 bills valued at 5,466,675 yen. The Government was required to pay 128,343 yen as indemnities.

Deposit Bureau Reports (Same source, 5/13/33)

The report of the Deposits Bureau for the last fiscal year shows a net profit of 59,000,000 yen of which 43,000,000 yen is said to be the result of exchange profits subsequent to the gold embargo. Newspaper reports state that the Bureau had placed the equivalent of 150,000,000 yen in deposits abroad under the instructions of former Finance Minister Inouye, and that the return of these funds to Japan subsequent to the gold embargo was responsible for the large profit.

Office of Sale of C. E. Railway Confirmed (The Japan Weekly Chronicle, 5/11/33)

An official telegram received by the Foreign Office yesterday from Mr. Ota, the Japanese Ambassador to Russia, confirms the fact that the Soviet Government has offered to sell to Japan all Russian rights in the Chinese Eastern Railway. The formal offer was, as is reported in the Moscow telegram to the Asahi, made by Mr. Litvinov to the Japanese Ambassador in their interview on May 2. Similar proposals have often been made in the past, but they were informal. This time, however, it is a formal one, so the Foreign Office in Tokyo is studying it very carefully and seriously.

Utility Issue Announced (Commercial Attache Halleck A. Butts, 5/10/33)

The Japan Electric Power Co. is issuing at par 6 percent five-year debentures of 8,000,000 yen to repay a loan of the same amount from the Industrial Bank of Japan.

Retail Price Cease Decline (Same source, 5/20/33)

Retail prices have apparently been stabilized again. The Bank of Japan reported a shrinkage of less than one-half of one percent in April, and one-tenth of one percent in the first half of May. The Tokyo Chamber of Commerce, commenting upon wage levels, reports that the average for April in Tokyo was eight-tenths percent lower than in the previous month, and 1.9 percent higher than in April 1933.

NETHERLAND INDIA

(On June 9 one florin equals \$0.4885)

Proposals to Convert the So-Called Dollar Loans (Trade Commissioner Richard P. Hendren, Batavia, 4/26/33)

An interesting article relative to a plan under consideration by the Government to convert its dollar loans into obligations bearing interest of not over 4 percent, appeared in the "Java Bode" of April 31, 1933. The loans referred to are the following: (1) \$25,000,-

000, 5½ percent dollar loan of 1921 Series D, callable as a whole or in part since March 1, 1933. The amount outstanding is \$22,100,000. (2) \$40,000,000, 6 percent dollar loan of 1922 Series A, callable as a whole since March 1, 1932, on 3 months notice. Of this loan, \$34,720,000 is still outstanding. (3) and (4) \$60,000,000, 6 percent dollar loans of 1922 Series B and C, callable as a whole or in part since March 1, 1932. Of these loans, \$50,750,000 is still outstanding. A fifth issue, the external 5½ percent gold loan of 1923, Series C, of \$25,000,000, becomes callable as a whole or in part on November 1, 1933. Of this loan \$20,300,000 is still outstanding.

The above loans contain the gold clause, which calls for payment in United States gold of the standard of weight and fineness existing on their respective dates of issue. In case of conversion, no profit is expected to be made by virtue of the dollar being off gold, but only through a lowering of the interest rates.

It is believed that a loan to the amount of the aggregate of the above could not at present be floated to good advantage, since any new loan would have to be floated in the Netherlands and the bond market there has practically collapsed. The suggestion has been made that Holland might be induced to guarantee the loan, but Minister de Geer is not optimistic over this suggestion. The belief is held locally that for reasons of economy all loans should be converted to a lower interest basis as quickly as possible.

NEW ZEALAND

(On June 9 one New Zealand pound = \$3.2742)

Result of Debt Conversion (Consul General Calvin M. Hitch, Wellington, 4/7/33)

On account of certain unavoidable delays, the final result of the Government's internal debt conversion will not be known for some weeks. Bondholders who are temporarily absent from the country, and companies with overseas head offices, have been given an extension until June 1, 1933, to make their applications, and since the stock they hold may amount to several hundred thousand pounds sterling, it will be impossible for the Minister of Finance to announce the final figures until after that date.

Furthermore, a small portion of the outstanding bonds is still the subject of correspondence between the holders and the Treasury, and the result will not likely be determined for a week or two. According to the latest official announcement, the position at this time is as follows:

Assented conversions	£105,770,000
Conversion due to failure of holders to reply	8,500,000
	<hr/>
	114,270,000
 Dissents	 730,000

Conversions and dissents total £115,000,000, which leaves only £320,000 of the National Debt domiciled in New Zealand to be accounted for.

Exchange Rate May be Altered (Trade Commissioner Julian B. Foster, Wellington, 5/8/33)

According to reports the 25 percent premium on remittances to London is likely to be lowered to about 10 percent during the latter part of June, although there has been no official information. New Zealand's export season is at an end.

Comments on New Zealand Exchange Rates (From an article by Hugh C. Jenkins in the Australasian Insurance and Banking Record, 4/21/33)

Mr. Salmon, president of the Importers' Association, favors a lower exchange rate, declaring that under the circumstances the present rate of 25 percent prohibits importers operating, to the detriment of the customs revenue. With the drastic decline in the price of butter the national income is suffering a heavy fall, and the margin in favor of exports over imports is rapidly declining. With customs receipts and national income declining at the same time the exchange situation becomes suspended between heaven and earth. If exports continue to contract in value a 25 percent exchange may become a natural one, in which case, of course, there would eventually be no surplus for the Government to take up. On the other hand, with falling revenues the Government may soon find itself in a position when it cannot continue the high exchange experiment, in which case it is possible that New Zealand exchange might move some points toward parity. Should it do so, then the position vis-a-vis Denmark would be more unfavorable than it was prior to the alteration. The exchange situation in New Zealand is therefore very delicate indeed. Political considerations, the decline in Government revenues, the fall in prices of exports, the unwillingness of importers to face the risks incidental to the present situation, are disturbing factors pulling in various directions, and where it will end is indeed difficult to foresee.

Postal Savings Rate Reduced (Monthly Summary of Australian Conditions for March 1933, The National Bank of Australasia, Ltd.)

Following upon the reduction in the rate of interest on Government loans, the Post Office Savings Bank rate is being reduced to 3 percent as from April 1. The previous rate was $3\frac{1}{2}$ percent up to £500, and $3\frac{1}{4}$ percent above £500, with a limit of £2,000. The other Trustee Savings Banks also will be reduced to 3 percent as from April 1. Building societies and investment companies are to be treated on a slightly different basis.

The deposit rates of the banks are not being altered. They were reduced in December, and are now one half percent below the new rates fixed for building societies and investment companies. As from April 1, local bodies will be restricted to rates not exceeding those prescribed for new moneys accepted by building societies and investment companies.

SIAM

(One baht = 1/11 of £ or on June 9 = \$0.3729)

Siam to Float Internal Loan of 10,000,000 Bahts (Assistant Trade Commissioner Joe D. Walstrom, Bangkok, 4/19/33)

An act empowering the Government to raise a 10,000,000 baht $4\frac{1}{2}$ percent loan, maturing in 1943, has just been promulgated.

TURKEY

(One Turkish pound = approximately \$0.47 3/16)

Turkish Internal Loan (G. Howland Shaw, Charge d'Affaires a. i., Ankara, 5/15/33)

The first internal loan of the Turkish Republic, amounting to 12,000,000 Turkish pounds was successfully launched. Up to the present bonds representing 4,000,000 Turkish pounds have been offered to the public and oversubscribed by approximately 2,500,000 Turkish pounds. The balance of the loan will be floated later. The loan will be used for the construction of the Fevzi Pasha-Diyarbakir railway line which is being built to facilitate the working of the rich Erganie copper mine. This mine was operated during the World War by a German company but was abandoned because of inadequate rail connections.

The bonds are issued in units of 20 Turkish pounds, bear 5 percent interest, and mature in 20 years. An additional 2 percent compensation is added for each series to provide for the following annual lotteries: Two lotteries at 30,000 Turkish pounds each; two at 15,000 Turkish pounds each; and six at 3,000 Turkish pounds each.

The Government's success in making this loan a popular one and in encouraging the general public to participate was quite unexpected in foreign banking circles in Turkey, particularly since no pressure was brought to bear to force officials to subscribe. Although a portion of the loan was taken up by Turkish banks and by foreign banks in Turkey, the bulk was taken by business concerns, government employees, and the general public. The Ish Bankasi facilitated the sale of the issue among government officials by financing the small subscriber at a very low rate of interest.

Report of the Council of the Repartitioned Public Debt of the Former Ottoman Empire*

Under the above title there has been published at Paris (in French) a report which may be borrowed upon application to the Finance and Investment Division. The report contains, among other things, an analysis of the agreement of April 22, 1933.

GROSVENOR M. JONES,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

Monetary Use of Silver in 1933

Under the above title this Division has issued Trade Promotion Series No. 149. The bulletin is a world-wide survey of the monetary use of silver today. Copies are obtainable at ten cents each from the Superintendent of Documents, Government Printing Office, Washington, D.C., or from any district or cooperative office of this Bureau.

A few copies are still available of Trade Promotion Series No. 139, The Silver Market. The price of that bulletin is 10 cents.

AUSTRALIA

(On June 26 one Australian pound = \$3.36)

Commonwealth Finances - Nine Months Ended March 31, 1933*

Consul Albert M. Doyle, Sydney, has sent in a report under the above title, dated May 29, 1933.

Federal Revenue (Consul John K. Caldwell, Sydney, 5/11/33.)

During the first nine months of the present fiscal year the customs and excise revenue amounted to £25,235,799, an increase of nearly £4,000,000 over the receipts for the corresponding period of last year, and more than £4,500,000 above the estimate for the nine months. Government officials have pointed out that optimistic estimates of a large Government surplus at the end of the fiscal year were not justified since remissions of taxation and relief to primary producers authorized under the financial relief act, and not provided for in the framing of the budget, would amount to £3,000,000.

£5,000,000 Loan Floated (Trade Commissioner J. C. Peebles, Sydney, 5/22/33.)

This week final arrangements were completed by the Federal authorities for the issuance of a £5,000,000 loan at par, maturing in nine years, with interest at 3 3/4 percent. The proceeds will be apportioned to the several States for the financing of public works. The raising of this money on the open market follows the unwillingness of the Commonwealth Bank to make further advances to cover public works programs at this time. Press reports indicate that subscriptions are coming up to expectations, and it is hoped that the short but intensive campaign will stimulate public interest in other investments.

New South Wales Budget (Trade Commissioner E. C. Squire, Sydney, 5/15/33.)

The New South Wales budget shows a great improvement over last year, the deficit at the end of April 1933, being £2,820,000, compared with £9,771,000 at the corresponding date last year.

Victoria Deficit Within Planned Limit (Same source.)

While Victoria's budget is still somewhat out of balance, it is expected that the deficit will be kept within the limits set forth in the premier's plan.

Time Not Yet Arrived for Conversion of Sterling Debt (Same source.)

Last week the Australian Minister in London, Mr. Bruce, made a statement to the effect that the time was probably inopportune on account of the unrest in Europe, for the conversion of some £84,000,000 Commonwealth and State sterling loans convertible under an optional clause. This announcement was viewed with some misgiving in Australia, since some of the loans carry high interest and conversion into 4 percent loans would mean a saving to Australia of £1,750,000 in interest.

Hope of Conversion of London Loans Not Abandoned (Trade Commissioner James E. Peebles, Sydney, 5/22/33.)

The decision last week of the Federal Loan Council to postpone for a time its plan to carry out a conversion program in London, on account of unsettled world conditions, provoked some disappointment in Australia, in view of the possible savings of approximately £1,750,000 in interest. The Prime Minister, however, gave assurance that negotiations for conversion of Australian loans in London had not been abandoned, and that the Commonwealth Government is not relaxing its efforts in any way to obtain relief on oversea debts.

Australian Bonds and the Gold Clause (Australasian Insurance and Banking Record, 5/22/33.)

The departure of the United States from the gold standard last month has introduced a fresh factor into the financial situation of that country. During the depression of the nineties there was much difficulty in adhering to the gold standard, owing to the effects of silver legislation, but the difficulty was overcome by the determined efforts of President Cleveland, among the measures taken being the flotation of loans to reinforce stocks of gold. Largely owing to the difficulties then experienced, it became a practice to insert a clause in loan prospectuses providing for payment in gold. Thus the prospectus of the Australian Commonwealth 4 1/2 percent gold bonds external loan of 1928 of \$50,000,000 stated that principal and interest would be payable in New York "in gold coin of the United States of America of the present standard of weight and fineness." It is regrettable that the Commonwealth Government on the first of this month paid the half-yearly interest only on a paper instead

of a gold basis. On this matter the Melbourne Argus published the following cablegram dated New York, May 2:

"The Commonwealth Government met a payment of \$1,107,787 (normally £220,000) in interest due yesterday on the 4 1/2 percent 1956 loan. It is understood that at least two holders of coupons, when tendering them, demanded payment in gold. The Morgan Company, the Commonwealth's agents, made a declaration that, unless otherwise instructed, interest payments were to be made by check or currency. If any holder made a reservation of the right concerning the specification of gold in the contract as a condition of acceptance of it, the agents would return his coupon. Gold or gold certificates were not available under current Government restrictions."

London advices on the same subject state that the representatives of the London banks who collected the interest on behalf of their customers accepted the paper under protest without prejudice to a subsequent claim for gold.

Australian Overseas Trade Nine Months Ending March 31, 1933 (Consul Albert M. Doyle, Sydney, 5/19/33.)

For the first nine months of the fiscal year ending June 30, 1933, Australia had a favorable balance of trade of £33,382,000 sterling, an increase of £2,640,000 sterling over the favorable balance for the corresponding period of 1931-32. The commodity trade balance for the period was £17,370,000 sterling compared with £25,729,000 sterling for the first nine months of 1931-32. The gross favorable balance is due largely to heavy exports of gold from the gold reserve of the Australian notes fund.

The following table shows Australian overseas trade stated in British pounds sterling:

	First nine months of		
	<u>1931-32</u>	<u>1932-33</u>	<u>Change</u>
Merchandise			
Exports	57,532,000	61,248,000	+ 3,716,000
Imports	<u>31,803,000</u>	<u>43,878,000</u>	+ <u>12,075,000</u>
Commodity balance	<u>25,729,000</u>	<u>17,370,000</u>	- <u>8,359,000</u>
Bullion and specie			
Exports	5,453,000	16,904,000	+ 11,451,000
Imports	<u>440,000</u>	<u>892,000</u>	+ <u>452,000</u>
Bullion and specie			
Balance	<u>5,013,000</u>	<u>16,012,000</u>	+ <u>10,999,000</u>
Total balance	30,742,000	33,382,000	+ 2,640,000

In statistics compiled by the Commonwealth Statistician exports from Australia are at present valued in Australian pounds, while imports are valued in British pounds.

£12,000,000 for Reproductive Works (Trade Commissioner E. C. Squire, Sydney, 5/29/33.)

The Prime Minister states that the States will spend approximately £12,000,000 in 1933-34 on reproductive works, and the Commonwealth Government will supplement its usual £900,000 "works" grant from revenue by approximately £750,000 under a loan program. Two projects were mentioned, the building of a naval sloop, costing about £200,000 and of a cordite factory in Victoria to cost £40,000.

CHINA

(On June 26 one yuan = \$0.2619.)

Estimates for Debt Payments for National Budget (Commercial Attache Julean Arnold, Shanghai, 5/20/33.)

The Kuo Min News Agency of May 17 reports from Nanking on the above subject as follows: "It is understood that the national budget for the 22d fiscal year commencing July 1 is now under preparation by the directorate general of budgets, accounts, and statistics. The various government organs have been requested to submit estimates of revenues and expenditures for the next fiscal year. Estimates for debt payments have already been compiled, being as follows: For domestic loans, 109,919,342 yuan; foreign loans, 65,760,480; Boxer indemnities, 55,823,758; charges for loan service, 338,224; and reserve fund for readjustment of foreign and domestic loans, 10,000,000 yuan. It is understood that this total of 241,841,804 yuan shows an increase of about 18,000,000 yuan over the 223 961,247 yuan for the current fiscal year.

Manchuria and the Nishihara Loans (Trans-Pacific, 5/25/33.)

Japanese banks which formerly lent money to China are now trying to collect from Manchuria. The Industrial Bank of Japan, manager of the syndicate of 26 banks which made the so-called Nishihara loans, is investigating the chances of collecting from the new administration. The argument is that since the authorities in Manchuria agreed to fulfill the obligations of the old regime and already has shown a willingness to do it, the Japanese lenders might just as well see what they can do about getting paid.

Japanese papers, however, do not think there is any very great likelihood of immediate cash payment, since Manchuria does not have the actual money. It might be possible, however, declares the Rengo News Agency, to get Manchuria to settle the loans by giving the Japanese banks shares in Government enterprises already in existence or about to be started. Rengo says that the industrial Bank of Japan would like to have the debts converted into shares in the Japan-Manchukuo Communications Co., since the syndicate lent money about 20 years ago for Manchurian telegraph and telephone enterprises through the China Exchange Bank, the Toa Industrial Development Co., and the Sino-Japanese Industrial Development Co. These three institutions are now conducting negotiations with the Manchuria authorities for repayment if possible.

Hard Money Scarce in South China (Finance and Commerce, 5/10/33.)

Owing to the continual smuggling of Canton's silver money (all in 20-cent pieces) South China is being denuded of metallic money. In Swatow no more hard money is available now and a sort of money-shop guild paper has had to be substituted.

As is well-known, by far the largest part of the banknotes issued by three British banks in Hong Kong to the amount of \$160,000,000 circulate outside the colony, principally on the Chinese mainland. South China is being denuded of silver coins owing to large-scale smuggling. It is only logical to presume that the people there will strive to get hold of Hong Kong dollar notes in the absence of metallic money. Hong Kong cannot now issue further amounts in banknotes because these require to be covered by silver. Since silver is dearer in London and New York than in Hong Kong, it will not be feasible for Hong Kong to purchase silver abroad. On the contrary, in the event of the exchange parity in China widening (as compared with silver prices abroad), it may even become possible for Hong Kong to export silver abroad which, in turn, would be tantamount to a contraction of notes there.

Committee to Supervise Coinage*

In Finance and Commerce of May 17, 1933, appears an article, "The Standard Silver Dollar," which outlines the procedure to be adopted by the committee to supervise the coinage and general affairs of the Central Mint. Also included is a list of members of the committee.

Note Circulation of Shanghai Banks (Finance and Commerce, 5/17/33.)

Probably due to the much reduced business activity, a considerable contraction in Shanghai banks' note circulation has recently taken place. The difference in the total out on December 31, 1932, and April 30, 1933, is 20,000,000 yuan. The following are the particulars of notes issued by Shanghai banks, it being understood that the notes are not circulating entirely in Shanghai, but also in surrounding Provinces. The notes issued by the Central Bank of China are in circulation throughout the country, but all of them are redeemable in specie at Shanghai.

	<u>Dec. 31, 1932</u>	<u>April 30, 1933</u>
	<u>Yuan</u>	<u>Yuan</u>
Bank of China	112,872,000	99,418,000
Central Bank of China	39,145,000	44,686,000
Bank of Communications	38,453,000	33,141,000
Ningpo Commercial Bank	15,095,000	16,050,000
Four Banks Joint Treasury	25,527,000	18,375,000
National Industrial Bank	25,875,000	23,923,000
Commercial Bank of China	10,820,000	10,257,000
National Commercial Bank	6,581,000	6,978,000
Land Bank of China	5,221,000	5,299,000
Agricultural and Industrial Bank	<u>5,183,000</u>	(a) <u>5,000,000</u>
Total Chinese banks	284,772,000	263,127,000
Foreign banks, estimated	<u>3,228,000</u>	<u>3,873,000</u>
Total	288,000,000	267,000,000

(a) Estimated.

Apart from the above, it ought to be indicated that there are 417,000 Customs gold units in notes outstanding, issued by the Central Bank of China, Shanghai. The Commercial Bank of China has, beside the above issue of dollar notes, a moderate quantity of tael notes in circulation.

Kwangtung Provincial Bank Orders Notes. (Trade Commissioner T. C. Barringer, Hong Kong, 5/23/33.)

During April an American firm obtained an order from the Kwangtung Provincial Bank for the printing of the \$10,000,000 bank note issue backed by the new standard silver dollars now being minted in Shanghai. The issue will consist of \$1, \$5, and \$10 denominations. It probably will not be put into circulation until the latter part of 1933.

Should China Declare an Embargo on the Export of Silver (Finance and Commerce, 5/10/33.)

Under the above title Mr. Koh Tsung-fei argues against an embargo on silver exports from China on various grounds. He concludes, however, that China should not put an embargo on silver export under any conditions. If we were actually being drained of silver as was the case during the European war, we might have reason to protect our silver reserve, but we

should refrain from interfering with the free export of silver if its movement is a purely natural adjustment consequent upon an unfavorable balance of payment, especially at times when excessive silver is accumulating in a few centers and finding its outlet in the speculative market as is now the case. Moreover, to declare a silver embargo without finding ways and means of securing a balanced payment is meaningless and ridiculous. A silver embargo should only be introduced as a part of a larger financial policy; it should at least be associated with other measures of regulation such as import and exchange restrictions similar to those introduced by foreign countries which have gone off the gold standard. Several Provincial authorities such as those of Szechwan and Shansi have declared an embargo on silver export in their respective Provinces. But the financial authorities of these Provinces are nearly all inflationists. How have they succeeded in preserving and promoting prosperity in their own territories?

Imports of Silver Bullion Into Shanghai from Foreign Countries During April 1933 (Consul Richard P. Butrick, Shanghai, 5/19/33.)

Silver bullion was imported into Shanghai during April 1933, as follows:

<u>From</u>	<u>Article</u>	<u>Troy Oz.</u>	<u>Value in U. S. currency (a)</u>
Hong Kong	Bars	105,500	\$28,495
United States	"	124,310	34,634
Hong Kong	Broken coins	3,195,500	861,195
United States	" "	376,201	101,088
Hong Kong	Sycee		6,862
Chosen	"		128,304
Kwantung Leased Territory	"		<u>45,578</u>
Total			1,206,156

(a) The Chinese Maritime Customs records the values of silver bullion imports into Shanghai from abroad in Chinese standard yuan. The equivalent of the standard yuan during April 1933, at the average opening demand selling rate on New York, was 21 2/3 cents, United States currency. Conversions in this report have been made at this rate of exchange.

Y. C. Koo Writes on Silver Movements to United States (Finance and Commerce, 5/17/33.)

"....Although the foreign banks in Shanghai shipped away most of the silver, their stock of silver was not reduced. In the course of the last three weeks, they lost sycee to the extent of 14,473,000 Shanghai taels, but their holding of silver yuan was enhanced by 24,040,000 yuan, resulting in a net gain equivalent to 3,800,000 yuan. This increase in the foreign banks' holding of silver is easily explainable. They gave to the Chinese merchants imported goods in exchange for silver which the merchants drew from the Chinese and native banks. With no export in sight it is reasonable to expect the continuance of this transfer of silver to the foreign banks. The loss of silver to the Chinese banks during the last three weeks amounted to 23,411,000 yuan, that is, 20,250,000 yuan (in coin) and 2,260,000 Shanghai taels (in the form of sycee)."

Chinese Eastern Railway Sale Project Stirs French Press (Trans-Pacific, 5/18/33.)

The proposal of the Soviet Union to sell the Chinese Eastern Railway to Japan caused a sensation in France, where demands are being voiced for payment of the old loan of 6,000,000 gold rubles, 80 percent underwritten in France, for the Russo-Asiatic Bank, which supplied funds for construction of the original line, according to the Nichi Nichi. All leading French newspapers carried editorials, declaring that the railway must not be transferred without the consent of France.

Foochow Waterworks Postponed. (Trade Commissioner T. C. Barringer, Hong Kong, 5/23/33.)

Lack of Provincial funds postponed the commencement of the Foochow municipal waterworks scheme. According to Vice Consul Burke, however, it is now reported that the authorities contemplate a bond issue for \$8,000,000 yuan dollars to finance the various local construction projects.

FRENCH INDO-CHINA

(On June 26 one French franc = \$0.0486.)

Annual Report of the Banque d'Indo-Chine*

This Division has received a copy of the annual report of the Banque de l'Indo-Chine for 1932. The report draws attention to the slowing up of world activity, with an accentuated reduction of prices, etc. The profits of the bank nevertheless exceeded 39,000,000 francs. Cash on hand increased 256,000,000, while note circulation and advances declined during 1932 by 97,000,000 and 121,000,000 francs, respectively.

HONG KONG

(On June 26 one Hong Kong dollar = \$0.2922.)

Hong Kong Public Works Bond Issue (1927) Conversion (Trade Commissioner Thomas C. Barringer, Hong Kong, 5/13/33.)

The Hong Kong Legislative Council announced May 11 that the 4,297,000 (Hong Kong) dollar 6 percent public works loan of 1927 will be redeemed by the Government on August 1.

Note Circulation Still High. (Same source, 5/23/33.)

A recent study of Hong Kong's banknote circulation discloses that, while there has been a steady decline from the all time high of January 1933, when the note circulation, due to Chinese New Year, reached HK\$163,695,931, local banknotes still have a circulation 2 1/2 times that of the same period in 1929 when business in South China was relatively active. The figures for the past five years were as follows:

April

1929	HK\$ 63,643,965	1932	HK\$ 156,114,443
1930	HK\$ 91,251,547	1933	157,417,964
1931	HK\$ 156,705,532		

The rise in the Hong Kong bank note circulation is due largely to the depreciation of silver and the fact that Hong Kong bank note is at a premium in the interior of China. The depreciation of Chinese Provincial bank notes due to political or military events creates a demand for Hong Kong notes.

Gold Market Organized in Hong Kong. (Same source.)

On May 1, Hong Kong's first gold bar exchange was opened at No. 7, Ice House Street by the South China Gold Bar Co., following the United States' departure from the gold standard. While it is too early to gauge the success of this new opportunity for speculation, nevertheless, interest in this exchange is being well maintained.

INDIA

(On June 26 one rupee = \$0.3172.)

Indian Currency During April (Vice Consul Gerald Keith, Calcutta, 5/18/33.)

There have been no noteworthy changes in the note circulation in India during April. The note circulation on April 30 amounted to 1,766,654,888 rupees, a decline of 2,303,000 rupees from March 31. The metallic reserve shows very little change. Silver coin on April 30 amounted to 957,023,603 rupees, a decline of 6,358,885 rupees from March 31. Silver bullion totaled 158,816,313 rupees, an increase of 3,627,454 rupees during the month.

Gold bullion in the reserve increased from 259,940,532 rupees on March 31, to 262,603,644 rupees on April 30.

IRAQ

(One dinar = one pound sterling — On June 26 = \$4.21.)

Iraq's New Budget (American Minister P. Knabenshue, Baghdad, May 24, 1933.)

The Government's new budget, prepared by the Ministry of Finance is understood to provide an excess in revenues of 30 Iraq dinars over the contemplated expenditures of 3,746,970 Iraq dinars. Many economies have been effected, among which is the abolition of a secret fund held by the Ministry of Interior for "special services."

New Iraq Coins to be Circulated Shortly (Same source.)

It is said the Government will receive the first shipment of the new rial coins at the end of May. It is understood these coins will be of silver 0.900 fine.

JAPAN

(On June 26 one yen = \$0.2635.)

Japanese Budget Figures for 1932-33 (Trans-Pacific, 6/1/33.)

Revenue and expenditure figures of the Treasury March 31, 1933, the end of the 1932-33 fiscal year, showed a deficit of 162,271,000 yen with revenue totaling 1,374,415,000 yen and expenditures, 1,536,686,000 yen, according to the Ministry of Finance.

	1932-33	Change compared with
	(yen)	preceding year
Revenue:		
Ordinary	905,498,000	- 4,823,000
Extraordinary	<u>468,916,000</u>	+ <u>370,790,000</u>
Total	1,374,415,000	+ 365,966,000
Expenditures:		
Ordinary	984,314,000	+ 30,970,000
Extraordinary	<u>552,371,000</u>	+ <u>300,783,000</u>
Total	1,536,686,000	+ 331,754,000

Revenue included 559,515,000 yen from ordinary taxes, a drop of 27,779,000 yen from the year before; 60,083,000 yen from stamp taxes, an increase of 896,000; 258,029,000 yen from Government property and enterprises, a gain of 7,929,000 yen; and 24,870,000 yen from miscellaneous income, a gain of 14,328,000 yen. Taxes were:

	1932-33	Change compared with preceding year
	Yen	Yen
Income tax	103,842,000	- 7,622,000
Land tax	45,112,000	- 1,185,000
Business profits tax	28,695,000	- 2,934,000
Capital interest tax	13,517,000	- 429,000
Inheritance tax	18,042,000	+ 270,000
Mining tax	1,864,000	+ 176,000
Convertible note issue tax	13,831,000	+ 4,833,000
Sale tax	134,954,000	- 7,798,000
Soft drinks tax	3,831,000	- 198,000
Sugar consumption tax	62,585,000	- 1,786,000
Textile consumption tax	25,098,000	- 4,412,000
Bourse tax	13,467,000	+ 2,790,000
Customs duty	93,712,000	- 9,377,000
Tonnage dues	1,950,000	- 107,000
Business tax	7,000	+ 2,000

Banks' Share of Government Public Debt (Burton Crane in Trans-Pacific, 5/25/33.)

At the end of 1932, the Deposits Bureau, the special banks, the private banks, the savings banks and the trust companies held 60 percent of the Government bonds in circulation. During the year 1932, Government debt rose 545,944,000 yen. The Deposits Bureau, the banks, and trust companies took 78 percent of the new Government issues during that year. That doesn't mean that they merely took them and then sold them, but that their actual holdings increased in that proportion.

Perhaps some reader will say that it is unfair to include the trust companies and the Deposits Bureau when making this comparison. But the point of the argument is that the open market for Government bonds is decidedly slim and that there can be no real stability and liquidity unless that open market is expanded - (that is) unless the trend can be made to get away from institutional forms of investment and toward the private bond buyer.

Month Shows Loss in Banks' Deposits (Trans-Pacific, 6/1/33.)

Deposits in all banks in Japan proper, Taiwan, and Sakhalin at the end of April amounted to 11,243,876,000 yen, showing a drop of 9,957,000 yen from a month before, but a considerable increase of 798,481,000 yen over the same period of last year, according to the Ministry of Finance. Deposits held in the special banks totaled 1,402,147,000 yen, a drop of 43,481,000 yen from March, but a gain of 133,830,000 yen over a year before; those held in the ordinary banks aggregated 8,118,520,000 yen, increasing 20,553,000 yen over March and 536,963,000 yen over the same period of last year; and those in the savings banks totaled 1,723,209,000 yen, advancing 12,971,000 yen over March and 127,688,000 yen over a year before.

The Foreign Exchange Control (Commercial Attache Halleck A. Butts, Tokyo, 5/27/33.)

The press reports that the Foreign Exchange Control Committee will investigate the foreign exchange activities of foreign banks.

A Japanese View on Silver (Article in the Tokyo Asahi, reported in the Trans-Pacific on June 1, 1933.)

"A rise in silver will lead to a fall in commodity prices in the countries which use the metal as a currency. The remedy for the situation does not lie in the maintenance of a high silver price. As for bimetallism, its adoption by the world is impossible. No international agreements will avail to maintain gold and silver at a proper ratio. The resolution adopted by the American Senate on the question of remonetization of silver is impossible of realization. To fix the ratio between gold and silver is one thing. To maintain it is quite another.

Deposits Bureau Resources (Trans-Pacific, 6/1/33.)

Resources of the Deposits Bureau of the Ministry of Finance, amounted to 3,709,237,000 yen on May 15, showing a gain of 5,701,000 yen over April 30, according to an official report Sunday. Postal savings and transfer savings deposits totaled 2,753,571,000 yen, indicating a gain of 1,970,000 yen over the end of April.

Yokohama Municipality to Borrow (Trans-Pacific, 6/1/33.)

Yokohama will issue 1,354,000 yen of 5.3 percent bonds at 100.

Postal Savings Lower (Trans-Pacific, 5/25/33.)

Postal savings on May 15 amounted to 2,661,786,321 yen, a drop of 11,201,909 yen as compared with April 30. In comparison with totals at the end of July, last year, when the reduction of the postal interest rate to 3 percent was announced, deposits fell 240,341,026 yen, but depositors increased by 628,686.

Trust Company Resources Drop (Same source.)

Resources of trust companies at the end of April amounted to 481,886,000 yen, showing a drop of 1,498,000 yen from the end of March, according to the Trust Society. Money held in trust totaled 1,240,035,000 yen, declining 1,953,000 yen from the previous month.

NETHERLAND INDIA

(On June 26 one florin or guilder = \$0.49.)

Netherland Indian Finances During First Quarter of 1933. (Trade Commissioner Richard P. Hendren, Batavia, 5/22/33)

Apprehension in the Government financial position became increasingly apparent as the quarter progressed. At present the deficit of the 1934 budget is estimated at approximately 120,000,000 guilders, and in view of the recent monetary difficulties throughout the world local report indicates that the Netherland Indian Government will have to revalue the guilder in order to maintain its position in the world money markets. Such a measure, however, will undoubtedly await the results of the London Conference.

Netherland East Indian Currency Circulation. (Same source.)

During the first quarter of 1933 notes in circulation changed as follows:

	<u>1932</u>	<u>1933</u>	<u>Percent</u>
<u>First week of</u>			
January	232,000,000	209,000,000	- 10
February	230,000,000	205,000,000	- 19
March	229,000,000	208,000,000	- 9

New Ten Guilder Notes in Netherland India (Assistant Trade Commissioner Carl H. oehringer, Batavia, 5/4/33.)

It is reported that the Java Bank, Netherland Indian Bank of issue, at Batavia, is preparing for the issue of new 10-guilder bank notes. The new issue is being introduced because of the enormous number of counterfeit notes which are continually being brought into circulation. Most of these counterfeits are said to originate in China.

Small Notes to be Withdrawn from Circulation (Same source.)

According to the "Bataviaasch Nieuwblad" of May 15, 1933, the local Government intends to withdraw paper guilders and notes of two guilders and fifty cents from circulation as of June 1, 1933. Holders of the same may exchange them at the general paying offices until July 31, 1933 against their nominal value.

NEW ZEALAND

(On June 26 one New Zealand pound = \$3.3683.)

Minting of New Coins for New Zealand (Trade Commissioner Julian B. Foster, Wellington, 5/25/33.)

To assist in finalizing a scheme for the issuance of New Zealand coinage, the Government appointed a committee of eight to submit a report. Negotiations with the Royal Mint for the issuance of a special silver and copper coinage for the Dominion are still proceeding. Apparently, it has not yet been decided whether New Zealand will mint her own coins. A Wellington firm has been asked to make a tender, and should it be decided to mint the coins in New Zealand, the country's total silver output would probably be absorbed. The new coinage for the Dominion is to be decided during the next session of Parliament.

New Zealand Local Body Indebtedness *

The Australasian Insurance and Banking Record of May 22, 1933 contains an article on the above subject by Hugh C. Jenkins. The article may be borrowed from the Finance and Investment Division.

PERSIA

Persian Foreign Trade Monopoly Law (American Minister Charles C. Hart, Teheran, 5/14/33.)

The Persian Mejlis on May 9, voting a Government bill, repealed the foreign exchange provisions of the Persian Foreign Trade Monopoly Law and authorized the Government "to promulgate new foreign exchange regulations, to try them out in the course of operation and within three months to propose them to the Mejlis for approval."

It was the recent fall, by some 20 percent, in the exchange value of the dollar which led to the initiation of this law. The circumstances were, briefly, the following:

Under the Amended Foreign Trade Monopoly Law of July 10, 1932, an exporter of Persian products was required to sell to the Government foreign exchange to the value of his exports. The rate of sale for "dollar exporters' exchange" was fixed at 28 rials per dollar. Exchange thus sold was held by the "authorized" purchasing bank and sold to persons granted import permits, to the face value of such permits. But the importer was not required to purchase such exchange. The validity of his import permit was fixed at eight months, and in practice he most often allowed the greater part of that period to elapse before purchasing the exchange needed to pay for his imports.

The result was a pronounced lag between the selling and buying of controlled exchange. And, when the dollar recently fell below the fixed rate of 28 rials, the two authorized banks were holding some \$1,400,000 of "exporters" exchange.

Now, with current "free exchange" selling at approximately 24 rials per dollar (it was formerly 30) banks will no longer buy dollar exchange from exporters, nor will importers purchase it from the banks, at the 28 rial rate. In fact the banks no longer quote trade monopoly rates for dollar exchange.

The banks or the Government - responsibility in the matter not being entirely clear - stood, therefore, to lose, on the \$1,400,000 thus held, four rials on each dollar, or, some \$250,000 in all, unless protective steps were taken. The first of such steps was the drafting of the above-mentioned law. It was obviously designed to give the Government dictatorial powers in the matter.

Even before this law's passage by the Mejlis, a second step was taken. On May 6 the Council of Ministers authorized the Department of Commerce to grant import permits "for imports the current annual quotas of which have been exhausted" on condition that the applications therefor were supported by certificates establishing that the equivalent amount of exporters' dollar exchange had been bought at the official rate of 28 rials per dollar.

The third step was the passage of the new law. The fourth was an almost synchronous Council of Ministers decision providing that, until further notice, the provisions of the original law would remain in force. The fifth was a meeting of Government and bank officials; the sixth, a second such meeting.

As yet no agreement as to future procedure has been reached; and - except for the two mentioned modifications, the nonquoting of the dollar and the special ruling regarding exhausted quota imports - the situation, remains as it was. Whatever the anticipated decision may be, it will probably carry with it a provision protecting Government and/or banks against loss and throwing the burden on the consumer. It is believed quite probable, too, that America's already restricted trade with this country will be still further unfavorably affected.

SIAM

(One Siamese baht = 1/11 of pound sterling - on June 26 = \$0.3831.)

Siamese Budget Figures (Commercial Attache Charles E. Brookhart, Bangkok, 5/18/33.)

The Siamese fiscal year begins April 1. Shortly thereafter a detailed statement was issued covering the budget for the year then beginning, as well as the preliminary figures for the outcome of the year just closed. For the last and the present fiscal years the budget totals are as follows:

	<u>Revenue</u>	<u>Expenditure</u>	<u>Surplus</u>
	Bahts	Bahts	Bahts
1932-33	74,500,000	72,500,000	2,000,000
1933-34	72,428,424	72,415,415	13,019

In addition, during the year just closed, there was an expenditure on capital account of 4,000,000 bahts and for this fiscal year a similar allotment of 6,000,000 bahts is made. Those amounts are devoted to new railway construction, irrigation works, state highways, communications, and financing of cooperative societies, all considered productive enterprises. To cover these capital expenditures for the two fiscal years an internal loan of 10,000,000 bahts, bearing interest at 4 1/2 percent, is being floated.

The balancing of Siam's budget during the fiscal year just closed with a surplus of 2,000,000 bahts was accomplished in the face of political disturbance and a change of administration during the year, and represents retrenchment and economy measures pursued in a manner seldom seen in government administration here.

The public finances of this Kingdom are considered in excellent condition. The national debt at the close of the last fiscal year amounted to only £8,568,438, or less than 15 shillings per capita. A £2,000,000 sterling loan had been paid off and there is a further debt redemption fund of more than 29,000,000 bahts, or some £2,500,000 sterling on hand.

Siam's New Internal Loan (Same source, 5/22/33.)

Subscriptions have been opened for the internal 4 1/2 percent loan of 10,000,000 bahts following a radio message broadcast by the president of the State Council. In the first five days following the opening on May 15, some 4,071,900 bahts was subscribed. The list of applications was to be closed on or before noon May 31. This is the first important internal loan issued in Siam.

Siam's Currency Circulation (Same source, 5/16/33.)

At the close of the fiscal year March 31, currency notes in circulation totaled 114,282,498 bahts, representing a reduction of 550,000 bahts during the first three months of 1933. The currency reserve was reduced by an equal amount to 122,046,351 bahts, of which the same amount of gold bullion is held, or 74,921,738 bahts. Gold or gold exchange for the note issue totaled 68.84 percent.

SOVIET RUSSIA

New Discoveries of Gold and Silver Bearing Copper Ores (Russian Economic Notes, 6/23/33.)

Prospecting operations carried on for some time in the Central Volga District, have uncovered large deposits of copper pyrites, containing considerable gold and silver. The deposits are only 300 miles from Orebure, near to the Bliava station on the Samara-Zlatoust railroad. They are known to extend over a large surface, only part of which has been carefully explored; in the section examined there are estimated to be 150,000,000 tons of copper pyrites, under an iron "cap" containing 12,000,000 tons of ore. The copper content averages 4 percent, and runs as high as 20 percent. Laboratory assays have disclosed gold and silver in high proportions. It is believed that the entire district is heavily metallized, and plans are being made for the development of a large industrial center, with supplies of labor, fuel, and water ample for large-scale operations.

TURKEY

(One Turkish pound = approximately \$0.47 3/16.)

Turkey's Budget Economies (Assistant Trade Commissioner Henry E. Stebbins, Istanbul, 5/28/33.)

The Minister of Finance, before the National Assembly, announced certain economies appearing in the proposed budget for 1933-34, among them 800,000 Turkish pounds saved by administrative cuts in the various departments. However, there is a net increase of over a million Turkish pounds, due to larger appropriations for public hygiene, the departments of National Economy, Agriculture, Interior and Justice, and the statistical and customs sections. The final figure is estimated at 170,476,000 Turkish pounds.

New Settlement of the Ottoman Public Debt (Charge d'Affairs a.i. G. Howland Shaw, Istanbul, 5/29/33.)

A new settlement of Turkey's portion of the prewar Ottoman debt took place on April 22, 1933, when an agreement was signed between Saracoglu Sukru Bey, representing the Turkish Government, and the Debt Council. It takes the place of the agreement of June 13, 1928. The new settlement was ratified May 29 by the Turkish Grand National Assembly. To become effective it must also be ratified by the bondholders.

The terms of the agreement are said to be extremely favorable to Turkey, the total debt being reduced from 107,000,000 Turkish gold pounds to 7,000,000 Turkish gold pounds. The annuity paid by Turkey will, it is said, amount to 700,000 Turkish paper pounds and will be guaranteed by the Istanbul customs receipts. The first payment will fall due on June 1. The new bond issue replacing that of the previous settlement will be retired in 50 years, and consists of bonds valued at 500 French francs and bearing 7 1/2 percent interest.

Turkey Ratifies New Turkish Debt Agreement (Commercial Attache Julian E. Gillespie, Istanbul, 5/30/33.)

The Turkish Parliament ratified on May 28 the new agreement concluded in Paris on April 22, between the representatives of the Turkish Government and the delegates of the bondholders, relating to the funding of the Turkish share of the Ottoman public debt. The revised agreement replaces the one signed in Paris in 1928, which has been inoperative for the last several years.

The Argana Loan Success (Near East and India, 5/25/33.)

For the first time in Turkish annals an internal loan has been floated without any pressure to insure its success. That the Turkish national banks - owned by the State or under the influence of leading personalities - have largely contributed toward it does not impair the fact that it has been oversubscribed by 50 percent, heretofore not possible because of absolute lack of confidence under which previous governments in Turkey had to labor. The 4,000,000 liras which the Government asked the public to subscribe represent the first third of the 12,000,000 Argana loan for the building of a railway line from Shefkatli, making it possible for the Argana copper to be exported from Mersina. This is the first step toward an extensive exploitation of Anatolian mineral resources. The second is the engagement of foreign specialists, to prospect certain areas for gold and oil.

At the same time the building of new railway lines has been vigorously resumed. A German mission has arrived here in connection with the construction of the Erzerum-Sivas Line, but it has found a competitor in the Schneider-Creusot group, which is ready to grant Turkey important financial facilities.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

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July 19, 1933.

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AUSTRALIA

(On July 11 one Australian pound = \$3.76)

Diminishing Returns from Land Taxation (Trade Commissioner E. C. Squire, Sydney.)

The Argus of May 25 carries a report from Canberra reading in part as follows:

"Decreasing returns from direct taxation over the last four years are shown in the fifteenth report of the commissioner of taxation****. The following table sets out the collections in the last four financial years of land tax and income tax:

	<u>Land Tax</u>	<u>Income Tax</u>
1928-29	£2,988,885	£9,841,496
1929-30	2,840,078	11,120,029
1930-31	2,758,598	13,604,374
1931-32	2,156,765	13,481,982

"It will be noticed that the revenue received from land tax is steadily declining. This is notwithstanding the fact that the total assessments increased in the first three years.....

"The figures relating to income tax are not as striking, but it is explained in the report that in 1929-30 there was a substantial increase in the rate of taxation, and again in the following year, while in 1931-32 there was a 5 percent increase on previous rates. Further, in the first three years of the period under review the number of taxpayers increased each year. This was partly caused by a lowering of previous exemption margins.....

"Similar diminishing returns are published of estate duty and entertainments tax..... Sales taxation alone has brought in increasing revenue, the total amount collected rising from £3,472,854 in 1930-31 to £8,425,067 in the following financial year. The increase is officially explained as being due to an increase in the rate of tax from 2½ percent to 6 percent."

Municipalities Can Borrow More Freely (The National Bank of Australasia, Ltd. Monthly Summary of Australian Conditions, April, 1933.)

Interest rates at which local government bodies are able to borrow have been steadily declining, and first-class municipalities have recently obtained moderate amounts at from 4½ to 4¾ percent. It is reported that one Victoria corporation, whose bonds are highly regarded by investors, will shortly offer at par a cash and conversion loan of approximately £1,000,000 at 4 percent to replace loans of equal amount maturing on July 1.

Australian Banking During January-March Quarter (Sydney Herald, 5/30/33.)

According to the Sydney Herald of May 30, 1933, banking statistics covering seventeen Australian banks are reported as follows:

	<u>March 31, 1932</u>	<u>Dec. 31, 1932</u>	<u>March 31, 1933</u>
LIABILITIES			
Notes.....	£197,288	£183,842	£182,803
Bills.....	2,611,800	2,682,841	2,612,792
Due to banks.....	33,418,012	24,786,924	27,931,195
Deposits - bearing int.	219,096,247	218,888,659	220,220,299
Deposits - non-interest	102,050,570	93,783,400	96,680,588
All other liabilities....	<u>2,958,796</u>	<u>2,934,949</u>	<u>2,929,260</u>
Total liabilities.....	£360,332,713	£343,260,615	£350,556,937
ASSETS			
Coin.....	£2,588,410	£2,483,994	£2,594,124
Dullion.....	327,922	288,656	251,060
Australian notes 1/.....	56,966,837	45,538,923	47,366,808
Government securities....	69,634,181	83,555,555	84,926,428
Landed property.....	9,321,655	8,998,411	9,029,682
Due from banks 2/.....	6,843,281	5,282,477	5,547,279
Bills from banks.....	1,437,571	1,501,884	1,378,851
All other assets.....	<u>270,219,752</u>	<u>269,084,963</u>	<u>271,087,970</u>
Total assets.....	£417,339,609	£416,734,863	£422,182,202

1/ And cash with Commonwealth Bank.

2/ Excluding cash with Commonwealth Bank.

New Commonwealth Loan

The Finance and Investment Division has received from American Trade Commissioner in Charge E. C. Squire, Sydney, some clippings regarding the Commonwealth £5,000,000 loan, which was opened on May 22 and was to have been closed on June 19. The interest on the loan is 3½ percent; price of issue, par; maturity, 1942. The loan was so successful that it was closed on May 31 with subscriptions of slightly over £8,000,000 — an oversubscription of £3,000,000. The money is to be spent on public works.

Declares Banks Not Hesitant in Financing Governments; Opposes Nationalization of Banks (Item from Sydney Herald of June 1, 1933, submitted by Trade Commissioner E. C. Squire, Sydney.)

The chairman of the National Bank of Australia recently maintained "that every credit was due to the Government, which had reduced its expenditures, some of them materially. Yet more must be accomplished in this direction, not only for budget equilibrium, but in order that the heavy burden of taxation might be lightened. Australian banks had been charged with having, in recent years, first absorbed the country's funds and then refused to release the credit they had thus secured. This accusation was groundless. In 1929 the ratio of advances to deposits was 87 percent; in 1932 the ratio was 86 percent. If advances to governments were included the ratios were increased to 96 percent in 1929, and to 103 percent in 1932. Including loans to governments and municipalities, the advances made by the Australian trading banks in 1930, when the depression began, amounted to £278,000,000; in 1932 the total had increased to almost £286,000,000. These comparative figures demonstrated that, instead of the trading banks having curtailed credit, they had actually expanded it.

"A great deal of wicked and dangerous fulmination was being indulged in about the need for releasing credit, by forcefully taking it out of the hands of the banks, and placing it at the disposal of the nationalized banks, under the control of Parliament. It was quite obvious that the protagonists of this proposed upheaval were either significantly reticent regarding their real purpose, or were badly informed on the simplest ethics of credit, and quite confused regarding the usages of sound banking practice. It would, indeed, appear that what they had not definitely said about their real intentions was at the root of the assault on the banks which was developing." To the mind of the Chairman, the intention appeared to be a desire forcefully to acquire the assets of the banks and the deposits of their clients, in order, in effect, to distribute them among those who possessed neither.

Bankers State Commonwealth Bank Serves as a Central Bank (Item from Sydney Herald, 6/1/33, submitted by Trade Commissioner E. C. Squire, Sydney.)

The board and management of the National Bank of Australasia, Ltd., believe that the Commonwealth Bank has performed the functions of a central bank in a most satisfactory manner, said Sir James Elder, chairman of directors of the bank, in addressing shareholders at the annual meeting in Melbourne yesterday. Statements had been made from time to time, he went on to say, that there was a need in Australia for the establishment of a properly constituted reserve bank. Alternatively, it had been proposed that the Commonwealth Bank should be altered to enable it to perform the functions of a reserve bank. Most, if not all, of the trading banks, he said, were satisfied that the Commonwealth Bank was already performing these functions satisfactorily. The bank appeared adequately to meet all the financial needs of the country, and had been a tower of strength throughout the difficult times through which they had been passing. It enjoyed the fullest confidence of the banks, and it would be a matter of deep concern to those who were in a position thoroughly to appraise its great value and use to the country if any misguided action were taken to interfere with a system which had functioned so well in the general interests of the Commonwealth during the worst years of Australia's financial history. They felt strongly that it was highly desirable to allow the Commonwealth Bank further to develop as a central bank, along existing lines, without any legislative action.

Finances of Victorian Railways; Writing Off Recommended*

Under date of May 19, 1933, Vice Consul Ralph H. Hunt, Melbourne, sent in a report of the above title.

Reduction in Discount Rate on Treasury Bills (Trade Commissioner E. C. Squire, Sydney, 6/8/33.)

From June 1 the Commonwealth Bank reduced the discount rate on Treasury bills by one-fourth percent, bringing the rate to $2\frac{1}{2}$ percent. This is the fifth successive reduction. The rate stood at 6 percent prior to the Commonwealth Conversion Loan in July 1931. The present reduction is expected to effect an additional annual saving of £130,000, making a total of £767,000 during each of the last two years.

Australian Government Proposed Expenditure on Works During 1933-34.*

The Finance and Investment Division has received clippings regarding the Australian Government's proposed expenditures on works during 1933-34. According to a statement made by the Prime Minister, the States will spend £12,000,000 on productive works, while the Commonwealth will supplement its usual works grant from revenue of about £900,000 by a loan program involving expenditures of more than £750,000.

BRITISH INDIA

(On July 11 one rupee = \$0.3556)

Municipality Considers Establishing Banks (Trade Commissioner J. Bartlett Richards, Calcutta, 6/8/33.)

The finance committee of the Municipality of Calcutta is considering a proposal to establish one or two municipal banks. One would be a commercial bank and would function as banker to the Calcutta Corporation, just as the Imperial Bank is banker to the Government of India. Municipal funds would be deposited therein and it would handle the corporation's loans, in addition to doing a general commercial business. It is suggested that a second bank be constituted either on a cooperative basis or along the lines of the Morris Plan banks in the United States, to attract small savings and help wage earners.

Postal Savings Reduces Rates (Trade Commissioner J. Bartlett Richards, Calcutta, 6/8/33.)

The rate of interest on postal savings certificates will be reduced on June 18 from approximately 5 percent to approximately $4\frac{1}{2}$ percent. To be exact, a certificate that will be redeemable for 10 rupees after five years now costs only 8 rupees, but after June 18 it will cost 8-4-0 rupees.

State Railway Earnings Announced (Trade Commissioner J. Bartlett Richards, Calcutta, 6/8/33.)

Railway gross earnings from April 1 to May 13, 1933, amounted to 103,900,000 rupees, or 1,800,000 rupees more than for the corresponding period of the previous year and 6,100,000 rupees less than for the corresponding period of 1931-32.

Indian Bullion Market Report (Trade Commissioner J. Bartlett Richards, Calcutta, 6/15/33.)

Gold has been steady, with "ready" quoted at 30-3-0 rupees to 30-4-0 rupees per tola. Gold stocks amount to about 150,000 tolas in Bombay and 20,000 tolas in Calcutta. Exports during the week ended June 10 amounted to 12,495,000 rupees and since April 1 have amounted to 124,227,000 rupees. (One tola = $\frac{3}{8}$ oz. troy.)

The silver market was steady and quiet, with the present rate for "ready" at about 58-7-0 rupees per 100 tolas. Stocks are said to be about 8,000 bars in Bombay and 2,000 bars

in Calcutta, with daily offtake of 40 and 10 bars, respectively. Exports of silver from April 1 to June 10 have amounted to 1,098,000 rupees, and imports to about 1,880,000 rupees.

CHINA

(On July 11 one yuan = \$0.2914)

The Government's Financial Prospects (Finance and Commerce, 5/24/33.)

Under the above heading Finance and Commerce (Shanghai) of May 24, 1933 carried an article which concludes as follows:

"In February 1932 it was arranged that a flat rate of interest of 6 percent should be paid on domestic loans and the date of the complete amortization of the loans was extended. This represented a saving of 100,000,000 yuan on a full year. It was also agreed between the civil and military authorities last year that military expenditure should be kept down to 18,000,000 yuan a month and it is believed that this agreement was maintained - at any rate, for the greater part of 1932. It was on the basis of these changes and economies, which were only partly reflected in the accounts for the year ended last June, that the budget for the fiscal year ending June 1933 was balanced without borrowing, and as 223,961,247 yuan was paid off loan account the country should be that much to the good if, as Mr. Soong now suggests, the estimates have been closely followed.

"The figures insofar as they show a progressively improving position can only be regarded as highly satisfactory, but it is obvious that the customs revenue is now bearing about as heavy a burden as it will carry. The revenue for 1932 was roughly 290,000,000 yuan and during the present fiscal year 223,961,000 yuan of it goes in domestic and foreign loan payments. Judging from the present trend it would appear likely that the customs revenue for 1933 will be smaller instead of larger than in 1932, which means that practically all of it will go during the coming fiscal year in debt payment estimated at 240,000,000 yuan. It is inconceivable that the civil expenditure of a country of China's size can be reduced much below the figure of 60,000,000 yuan. The balance sheet which we have been considering has been drawn up on the assumption that military expenditure was kept within 18,000,000 yuan a month. With an undeclared war on hand it is optimistic to imagine that this expenditure will not be greatly exceeded, but even allowing that not more than 220,000,000 yuan has been spent on the army and that the accounts due next month are in other ways in accord with the estimates, it is almost impossible to believe that there will not have to be some further borrowing before the fiscal year 1933-34 is concluded."

Budget Deficit Threatens (Finance & Commerce, Shanghai, May 31, 1933.)

The Nanking Government will have to cut down its expenditure if it is not to be faced with a deficit for the coming fiscal year. It is announced by the Kuo Min News Agency that, according to estimates compiled by the Directorate-General of Budgets, the national revenue for the year July 1933 to June 1934 will amount to 629,807,622 yuan. This includes all ordinary revenues derived from the salt tax, the customs duties, the stamp duty, the rolled tobacco tax, the mining tax, the banking tax, the stock exchange tax and the earnings of various state enterprises.

The estimated revenue for the fiscal year just drawing to a close was 678,221,666 yuan. Compared with this figure, the revenue anticipated next year shows a decrease of 48,414,044 yuan. This decrease is attributed largely to the loss of revenue from customs duties and

the salt tax as a result of the Japanese occupation of Manchuria and Jehol. The estimated salt revenue is 146,748,148 yuan, a decrease of 17,867,056 yuan, compared with the estimated figure for the current year, namely 164,615,204 yuan. The estimated customs revenue is 330,-923,000 yuan, or 28,800,741 yuan less than the estimated figure for the current fiscal year - 359,723,741 yuan.

On the other hand, the estimated amount required for domestic and foreign loan service next year is 241,841,804 yuan, as compared with 223,961,247 yuan during the past twelve months.

Consider Asking for Part of Recent American Loan (Minister Nelson T. Johnson, Peiping, 7/5/33.)

Agreement for a loan for the completion of the Canton-Hankow Railway has been approved, but the board hopes the Ministry of Railways will make application to the Executive Yuan for \$5,000,000 from the recently concluded American \$50,000,000 loan to meet payments, in case of any deficiency.

Kwangtung's Budget Balanced (China Weekly Review, June 3, 1933.)

It was officially announced in Canton on May 24 that Kwangtung's budget for the present fiscal year has been balanced. Revenue for 1934 is estimated at 90,000,000 yuan, despite the fact that several miscellaneous levies have been abolished.

Objects to Higher Silver from Chinese Viewpoint (Finance and Commerce, Shanghai, 5/24/33.)

High silver under prevailing conditions will be poison for the economic structure of China. If and when price levels can be raised simultaneously, China can and will not object to higher silver values. But only on this condition.

Shanghai Ships 11,700,000 Ounces of Silver (Consul Edwin S. Cunningham, Shanghai, 7/5/33.)

Shanghai declared exports of silver to the United States from June 2 to 30, inclusive, were 11,724,104 ounces, valued at \$3,929,859 in United States currency.

EGYPT

(On July 11, one Egyptian pound = \$4.86 (102½ times pound sterling))

Currency Circulation Lower Than in 1932 (Consul H. E. Russell, Alexandria, 6/10/33.)

The Statistical Department of the Egyptian Government has issued the following figures concerning the circulation of currency at the end of April 1933, as compared with those for the same dates in 1932 and 1931.

	1933	1932	1931
		(Egyptian Pounds)	
Bank notes of the National Bank of Egypt	18,014,000	19,580,000	19,278,000
Currency notes of the Egyptian Government	51,000	51,000	51,000
Total	18,065,000	19,631,000	19,329,000
Silver coins	3,989,000	4,385,000	4,449,000
Nickel coins	788,000	787,000	793,000
Bronze coins	38,000	35,000	34,000
Total coins	4,815,000	5,207,000	5,276,000

IRAQ

(One Iraq dinar = one pound sterling, or on July 11 = \$4.74)

Iraq Currency in Circulation on March 31, 1933, One Year After Its Introduction (Third Secretary and Vice Consul George W. Renchard, Baghdad, 6/2/33.)

The following statement of the coins and notes in circulation on March 31, 1933, one year after the introduction of the new Iraq currency, was issued by the Currency Officer and published in the Government Gazette.

One Iraq dinar is equal to one pound sterling and is divided into 1,000 fils.

	<u>Number</u>	<u>Iraq Dinars</u>
<u>Coins</u>		
Silver coins:		
50 fils	3,792,000	189,600
20 "	960,000	<u>19,200</u>
Total silver coins.....		208,800
Nickel coins:		
10 fils	1,616,000	16,160
4 "	3,025,000	<u>12,100</u>
Total nickel coins.....		28,260
Bronze coins:		
2 fils	1,525,000	3,050
1 "	2,925,000	<u>2,925</u>
Total bronze coins.....		5,975
Total coins.....		243,035
<u>Notes</u>		
100 dinars.....	1,410	141,000
10 "	21,984	219,840
5 "	15,980	79,900
1 "	1,175,674	1,175,674
$\frac{1}{2}$ "	509,085	254,542.500
$\frac{1}{4}$ "	536,774	<u>134,193.500</u>
Total notes.....		2,005,150
Total coins and notes.....		2,248,185

The Currency Reserve Fund on March 31, 1933, amounted to £2,191,446/10/-.

Basra Merchants Discredit Local Banks (Consul General P. Knabenshue, Baghdad, 6/3/33.)

The press of Basra reports that a number of local merchants called on the Mutassarif and informed him that the facilities afforded to merchants by the Baghdad banks were not extended to them by the banks of Basra. They charged that Basra banks collect a higher exchange premium and that they charge 9 percent interest on overdrafts compared with 4 percent in Baghdad; finally, in Baghdad the discount rate is $3\frac{1}{2}$ percent, whereas in Basra it is 6 percent and more.

JAPAN

(On July 11 one yen = \$0.2920)

Certain Taxes Will Be Increased, States Finance Minister (Trans-Pacific, 6/8/33.)

Next fiscal year the Government is likely to increase one or two kinds of income tax, business profit tax, sake and sugar consumption tax and tariffs, but no great increase in

revenue is expected from these sources, as Mr. Takahashi is still opposed to sweeping tax increases. Increased income taxes may bring the total to about 30,000,000 yen. As to expenditures, expectation of reductions is most improbable. Expenditures are expected to be about the same as this year, or around 2,300,000,000 yen, while at the most revenues will be 1,500,000,000 yen, thus necessitating bond issues amounting to 800,000,000 yen. The War Office budget for the year is placed at 440,000,000 or 450,000,000 yen, including 200,000,000 yen for ordinary expenses, 150,000,000 yen for Manchuria and 100,000,000 yen for improvement in equipment.

It is expected that the navy will need about 400,000,000 yen, nearly the same as this year. The chief needs are for new expenses for warship maintenance, aviation, warship refitting, and replenishment of stores of ammunition.

Government to Issue Bonds (Commercial Attache Office, Tokyo, 6/24/33.)

The Government is expected to issue additional bonds in July. These will probably be 4 percent bonds.

Change in Gold Purchase Practice (Commercial Attache Office, Tokyo, 6/24/33.)

Purchases of gold are now based upon the yen-sterling rate of exchange.

Manchurian Expenses May Increase Next Fiscal Year (Trans-Pacific, 6/8/33.)

All ministries have started drafting their budgets for the next fiscal year under instructions from the Cabinet****. A reduction in expenditure in Manchuria and for armaments is unlikely, even though a truce has been arranged and the bandits brought virtually under control, in spite of the Cabinet's hope for cuts for the year. In view of Japan's policy of maintaining Manchukuo under the control of Japan, little reduction is possible, says Rengo news service. On the contrary, there may be some increase for improvement in armaments, it is reported.

Budget to Allow for Exchange Losses During Next Fiscal Year (1934-35) (Trans-Pacific, 6/8/33.)

Losses to be incurred by the Government on account of the depreciation of the yen are estimated at 90,000,000 yen for the next fiscal year, as it is not expected that the exchange rates will change radically.

Bank of Taiwan Improves Its Position (Commercial Attache Halleck A. Butts, Tokyo, 6/9/33.)

The Bank of Taiwan announces that it has sold 100,000 shares of the Teikoku Rayon Company to life insurance companies. It still retains 112,000 shares in the company. It will be remembered that the troubles of this bank, as disclosed at the time of the moratorium in 1927, grew out of the very large advances it had made to the Suzuki Company. These shares constituted some of the securities they held against the loans to that company. The par value of each share is 50 yen, and, while current market prices are about 136 yen, it is said that the sale of the large block was made at 126 yen. The great improvement in security values during the past year has enabled the bank to improve its position.

Dollar Continues Basis of Government Gold Purchases (Commercial Attache Halleck A. Butts, Tokyo, 6/28/33.)

Recently it was proposed that the Japanese Government purchase gold on the basis of the yen-sterling rate of exchange. It is now announced that the Japanese Government continues to pay a premium on gold based on the dollar exchange rate.

View on Bimetallism Is Not Unfavorable (Commercial Attache Halleck A. Butts, Tokyo, 6/7/33.)

Japanese do not object to a bimetallic currency system. Merchants are divided in their views as to the benefits Japan may receive through the adoption of such a system, which would presumably increase considerably the value of silver. An increased price of silver would, it is believed by local businessmen, increase sales of Japanese cotton goods in China and India. On the other hand, prices of raw cotton in those countries might be increased in terms of yen, thus increasing costs of production and narrowing the margin of profit.

Shares Move Upward in Tokyo (Commercial Attache Halleck A. Butts, Tokyo, 6/7/33.)

The local share and commodity markets have been strengthened during the past week. The causes seem to be more encouraging news of developments growing out of international conversations at Washington, advances in American security markets, a more definite form of inflation policy in the United States, and the signing of a truce between the Chinese and Japanese in North China.

Nippon Electric Company to Convert Bonds (Commercial Attache Halleck A. Butts, Tokyo, 6/9/33.)

The Nippon Electric Power Company is taking advantage of lower rates and has proposed the conversion of domestic debentures now outstanding in the amount of 103,000,000 yen. This company is also proposing a domestic loan of 40,000,000 yen, with which it will retire a large share of its foreign indebtedness.

Dividend Rates Increased (Commercial Attache Halleck A. Butts, Tokyo, 6/9/33.)

A number of companies are increasing dividends although bankers are counseling against substantial increases in dividend payments for the past term by companies which had had very successful operating revenues. However, the electric power companies are passing dividends, though profits were very substantial. The Tokyo Electric Light Company, with a profit of 13,000,000 yen, is doing so and is charging 12,800,000 yen to depreciation. The Daido Electric Power, which paid 4 percent last term, is paying no dividend.

NEW ZEALAND

New Zealand Coinage (Consul General C. M. Hitch, Wellington, 6/1/33.)

(Previous reports have mentioned the reasons for New Zealand desiring its own coinage system. New coins have already been ordered from the Royal Mint, London.)

The question of minting the coins in New Zealand in order to save cost and at the same time furnish employment to local labor, is now engaging the attention of various public organizations in the Dominion. The Manufacturers' Association has passed resolutions calling upon the Finance Department to arrange for minting the new coins in New Zealand, and various chambers of commerce have endorsed the suggestion. This matter has recently been taken up with the Committee on Coinage provided for in the Finance Act of 1932-33, of which A. D. Park, the Secretary of the Treasury, is chairman.

In connection with the demand to have the coins minted in New Zealand, the suggestion has been made that the decimal system of coinage should be adopted for New Zealand, instead of the British system now used. The proponents of the decimal system point out that it

already operates in Canada and other parts of the British Empire. A definite offer has been made to the Government by a New Zealand firm to establish a silver mint in New Zealand, and to undertake the minting of silver coins at a price lower than that quoted by the Royal Mint. The firm states that the coinage of the New Zealand Mint would be the same as that of the Royal Mint. Guaranties are offered, also, of the firm's ability to supply the required coinage, and to do so under a system of safeguards equal to those adopted by the Royal Mint.

The production of silver in New Zealand is sufficient to meet the requirements of the local mint. The silver output of New Zealand mines in 1932 amounted to 521,000 ounces, as compared with 551,000 ounces in the previous year. It is said that the New Zealand output would make about £250,000 of silver coins a year, or enough to meet all local requirements. The Coinage Committee is now considering the matter and has requested a well-known Wellington firm to submit estimates.

SIAM

(One baht = 1/11 of a £ or on July 11 = \$0.4329)

Loan Reported Being Floated Successfully (Commercial Attache C. E. Brookhart, Bangkok, 5/29/33.)

Subscriptions for the internal 4½ percent loan of 10,000,000 bahts will be closed this week. It now appears that the total will be subscribed but that there will be practically no oversubscription. The closing date for applications is May 31.

TURKEY

(One Turkish pound = approximately 47 3/16 cents)

Budget of the Turkish Republic for the Fiscal Year 1933-34*

A copy of this report has been received from Commercial Attache Julian E. Gillespie, Istanbul, under date of 6/6/33.

New Agreement for the Payment of the Turkish Share of the Ottoman Public Debt*

A copy of this report has been received from Commercial Attache Julian E. Gillespie, dated 6/12/33.

Grosvenor M. Jones, Chief,
Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FAR EASTERN FINANCIAL NOTES

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Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to the circular number and the page number of the item desired.

AUSTRALIA

(On July 26 one Australian pound = \$3.66)

Budget Accounts for 11 Months (Trade Commissioner E. C. Squire, Sydney, 6/19/33.)

Actual deficits for the 11 months ended May 31, 1933, compare with deficits for the corresponding period of 1931-32 and the budget estimates for 1932-33 as follows:

	Deficit 11 months 1931-32	Deficit 11 months 1932-33	Estimated Deficit 1932-33
Commonwealth	£2,558,000	£3,034,000 1/	£1,302,000
Victoria	3,673,000	2,560,000	851,000
New South Wales	10,204,000	3,096,000	4,350,000
Queensland	1,523,000	839,000	1,491,000
South Australia	1,215,000	1,026 000	1,187,000
West Australia	1,648,000	1,041,000	764,000
Tasmania	298,000	113,000	130,000
Net total	£21,119,000	5,641,000	10,075,000

1/ Surplus.

Bank Urges Conversion of Oversea Debt (Monthly Summary of Australian Conditions, The National Bank of Australasia, Ltd., May, 1933.)

The burden of interest on Australia's debt owed abroad is heavy. The debt was incurred, in the main, during periods when price levels and interest rates were much higher than at

present, and, consequently, lenders are receiving a far greater real interest - measured in goods and services - than they could have expected at the time the loans were obtained. The last budget speech pointed out that the debt of the Commonwealth and the States in London amounts to £554,500,000. The annual interest on this totals £26,300,000, to which has to be added £6,674,000 for exchange at existing rates. A further amount of £2,366,000 is payable in the United States for interest on £47,000,000 borrowed in New York by the Australian Governments - the cost in Australian currency being £3,600,000 per annum.

Early in the depression period it was recognized in Europe that the Burden of the war debts and reparations was intolerable, and various measures were adopted to lighten the load. In particular, Great Britain put through its great conversion operation last year, covering nearly 2,000 million pounds and reducing its yearly interest charge by approximately £27,500,000, and a recent compilation shows that, when interest savings on other conversions made by the present Government are added, the reduction in the debt charge amounts to £38,000,000 per annum.

It is to be assumed that the representatives of the British and Australian Governments at present engaged in further reviewing the Australian oversea debt position will take full notice of the growth of the real as opposed to the nominal interest burden borne by Australia during the past few years, and of the allied problem of transferring to London the large amounts involved. So far, we have carried this burden in the hope that rising prices would bring early, if only moderate, relief. An early concerted effort by the Governments, whereby a conversion of the oversea debt to current interest rates appears to be not only necessary, but in the best interests of the two countries. It can hardly be too strongly stressed that a piecemeal conversion at slightly lower rates, made as loans mature, will fail to provide effective relief. Australia has met her oversea obligations through 3 years of intense depression, proving a credit worthiness unexcelled by any other country, and far greater than that of many.

Now that hopes of help through rising price levels have sunk in a sea of uncertainty, it would appear that a strong claim for early and adequate relief is amply justified. We have every confidence that the negotiations now being conducted in London by the Commonwealth Minister resident there will produce satisfactory results.

Commonwealth Grants Commission Act, 1933*.

The Commonwealth Grants Commission Act, which was passed at the end of last month, provides for a commission of three members to investigate claims of Australian States for financial assistance, and to endeavor to arrive at a formula upon which future grants can be made.

Proposed Reconstruction of New South Wales Rural Bank (Trade Commissioner E. C. Squire, Sydney, 6/22/33)

When the New South Wales Government Savings Bank was closed in April, 1931, the Rural Bank, which was part of this organization, also closed. Although it is understood that the New South Wales Government does not contemplate the establishment of a State bank for deposits and general trading, it does intend to reconstruct the Rural Bank for the following purposes:

1. To protect the £28,000,000 invested, for which the State is responsible to the Commonwealth Bank.

2. To provide facilities for farmers whose securities are held by the bank, and who do not now enjoy proper banking facilities.

3. To provide an agricultural banking institution of limited resources for the benefit chiefly of small farmers, and to centralize many Government activities of a semi-banking nature now spread through various departments.

At a recent meeting of the Loan Council the Rural Bank obtained permission for the issuance of conversion loans of approximately £1,000,000 each in respect of loans maturing in October 1933, and April, 1934. The Council also approved the issuance of a £500,000 loan for the general purposes of the bank, subject to certain conditions. Terms and details of these loans have yet to be arranged.

BRITISH INDIA

(On July 26 one rupee = \$0.3471)

Debt Payment Reduces Silver Holdings (Trade Commissioner George C. Howard, Calcutta, 6/22/33)

Silver has been easy in spite of the acceptance by the United States of 27,000,000 ounces of silver at 50 cents an ounce as a token payment on the war debt. This arrangement has called forth a good deal of criticism from nationalists, who claim that India should have been given the benefit of the 50 cents an ounce price, whereas the silver was actually purchased at a price apparently in the neighborhood of 1/8d. per ounce, or slightly better than the market price. The silver for payment to the United States was apparently withdrawn from the paper-currency reserve. The gold was apparently taken from the gold-standard reserve, and loss to that reserve made up by crediting to it an equivalent value from the proceeds of the silver. Stocks of silver amount to about 10,000 bars in Bombay and 2,000 bars in Calcutta, with offtake down to 35 and 4 boars, respectively.

INDIA

Indian Bullion Market (Trade Commissioner George C. Howard, Calcutta, 6/29/33.)

Prices in the Bombay gold market were unchanged throughout the week ended June 24, "ready" as well as "forward" being quoted in the neighborhood of 30-3-0 rupees. Arrivals from upcountry continue fair, and a moderate amount of gold for export was sold both "ready" and "forward." The stocks on hand amount to about 400,000 tolas, and offtake remains unchanged at about 4,000 tolas. (One tola = 3/8 ounce troy.) Imports during the week amounted 66,388 rupees in bar and coin.

The Bombay silver market still remains hesitant, pending the final outcome of the talks about the rehabilitation of silver at the world economic conference. The price of "ready," after declining from 57-12 rupees to 56-15 rupees, improved to 57.6 rupees, but declined and closed at 56-14 rupees per tola. The daily offtake in the local market averages about 40 bars, but in addition about 600 bars are reported to have been sent to Calcutta this week. The Bombay stock still amounts to about 10,000 bars.

CHINA

(On July 26 one yuan = \$0.2897)

Comment on R. F. C. Loan*

Recent issues of Finance and Commerce, Shanghai, contain comments on the probable utilization of the \$50,000,000 R. F. C. wheat and cotton loan, etc.

Land Tax for Shanghai to be Instituted (China Weekly Review, 6/17/33.)

The institution of a provisional land tax in the Greater Shanghai Municipality is provided for in a set of regulations tentatively adopted at a recent meeting of the Executive Yuan. The regulations have been forwarded to the Legislative Yuan for examination and formal approval.

According to these regulations, pending the enforcement of the land law, a provisional land tax is to be imposed on all land situated within the urban district of the municipality. The rate of the tax is fixed at 6 per mill of the assessed value of the land, payable annually in two installments; the first in the period between January 1 and the end of February and the second between July 1 and the end of August.

Banking Laws Being Drafted (Asst. Trade Commissioner C. E. Christopherson, Mukden, 5/22/33.)

New legislation to regulate banking in Manchuria is being drafted.

Increased Savings Deposits in Shanghai Banks (Chinese Economic Bulletin, 5/20/33.)

Money deposited in the banks of Shanghai in the form of savings is usually either on current account or fixed deposit. Since their entry into this field, the Shanghai banks have accumulated a huge sum of money and rendered valuable service to commercial and industrial activities by encouraging thrift. According to investigations made in 1932, the savings accounts on fixed deposit in 18 banks amounted to more than 100,000,000 yuan, while current-account savings deposits amounted to over 56,000,000.

Of the 18 banks handling savings business, the Four Banks Joint Savings Society ranks first with fixed deposits of more than 50,000,000 yuan, the Kincheng Banking Corporation coming second with about 16,000,000, the Chekiang Industrial Bank being third with nearly 7,000,000, and the Shanghai Commercial and Savings Bank and the Continental Bank with approximately 6,000,000 each. In regard to current-account savings deposits, the Shanghai Commercial and Savings Bank heads the list with more than 20,000,000 yuan, the Four Banks Joint Savings Society ranking second with over 8,000,000, the Kincheng Banking Corporation and National Commercial Bank each having over 5,000,000, and the Continental Bank coming next with nearly 4,500,000 yuan.

Telephone Company for Manchuria (Commercial Attache Halleck A. Butts, Tokyo, 6/20/33.)

The local press reports the proposed formation of a Manchurian telegraph and telephone company with a capital of 10,000,000 yen. It is reported that the Japanese Government will purchase 330,000 shares; the South Manchuria Railway, 100,000 shares; and such companies as Mitsui, Mitsubishi, Sumitomo, and the Japan Radio Broadcasting Company, 300,000 shares additional.

JAPAN

(On July 26 one yen = \$0.28475.)

Detail of Next Year's Budget as Now Planned (Commercial Attache Halleck A. Butts, Tokyo, 6/28/33.)

The budget for 1934-35 is now under consideration, and although it is 7 months before the next regular meeting of the Diet, there is every indication that expenditures planned will approximate those of the present budget. There are plans for increasing taxes to the extent

of 200,000,000 yen, which indicates bond issues of at least 800,000,000 or 900,000,000 yen. The Army and Navy both state that their requirements will equal or exceed those of the present fiscal year. A Navy appropriation of approximately the same amount, which includes 170,000,000 yen for new building construction, is expected. The War Department announces a tentative total budget of 530,000,000 yen, or 80,000,000 yen larger than the present one. This item, however, is subject to considerable revision, and unless expenditures not now anticipated later become necessary, it is probable that the total budget for this department may be reduced to about 450,000,000 yen.

1932-33 Budget Accounts Being Audited (Commercial Attache Halleck A. Butts, Tokyo, 6/28/33.)

The Finance Department reports upon the basis of preliminary data that there was a surplus in last year's accounts of about 20,000,000 yen. It is indicated that customs receipts declined 20,000,000 yen, but the yield of taxes on telephones and telegraphs and receipts of the Monopoly Bureau were about 30,000,000 yen in excess of the estimates. Expenditures were from 10,000,000 to 20,000,000 yen less than the appropriations.

Government Bond Issues (Commercial Attache Frank S. Williams, Tokyo, 7/3/33.)

The Government will probably issue 10-year bonds on a 4 percent basis.

Writer Comments on Large Budget (Dr. S. Washio in the Trans-Pacific, 6/29/33.)

With Mr. Takahashi's statement of the outlook for framing next year's budget made in the Cabinet Council on June 16, the budget season, fraught with grave apprehensions and possibly with political crisis, has set in. The Finance Minister has yet stated only his hopes and expectations and until each department of the Cabinet submits its demands by the end of July the problem will not come to a head. But it is already apparent that the unprecedentedly large figure in this year's budget, an expenditure of 2,200,000,000 yen against a revenue of 1,300,000,000 yen in round figures, is not going to be substantially improved, and expenditure is very likely to increase.....

Last fall when this year's budget was framed, grave apprehension was expressed on all sides and the feeling was general that a repetition of it another year would break the financial stability of this country beyond all hope of repair. Now a repetition is at hand and it remains to be seen what reaction financially and politically it will produce, especially among the Seiyukai interests itching for a critical issue. The general psychological reaction is already half worn out by this year's budget and half conscious that it will probably not be less, but the problem is really far graver than it was last year.

Finance Minister Objected to Tax Increases (Commercial Attache Halleck A. Butts, Tokyo, 7/5/33.)

The Cabinet has decided to increase existing taxes and to levy new taxes next fiscal year, with the idea of raising 200,000,000 yen. The only dissenter was Finance Minister Takahashi, who still insists that tax increases should not be considered until the fiscal year 1935-36. It is possible that income, capital interest, and inheritance taxes will be increased, and probably that prices of the Monopoly Bureau will be substantially increased.

The Finance Minister believes that an increase in taxes should be discouraged, provided industrialists who are now recording good profits will reinvest those profits in industrial enterprises. This view is supported by the leading industrial and trading companies in Japan. An official of the Mitsui interests states that the company will curtail trading operations abroad and devote the funds thus saved to investments in industry in Japan.

Tokyo Loan Plans (Commercial Attache Halleck A. Butts, Tokyo, 7/5/33.)

The City of Tokyo announces that it expects soon to place an issue of 26,000,000 yen, for refunding purposes, at 5 percent.

Cabinet Approves Increased Taxes (Commercial Attache Frank S. Williams, Tokyo, 7/3/33.)

Increased taxation for the next fiscal year has been approved by the Cabinet, the Finance Minister alone voicing opposition. Appropriations for Government engineering projects are to be reduced.

Investments At Home Increase (Commercial Attache Halleck A. Butts, Tokyo, 7/5/33.)

The Industrial Bank of Japan reports investments in business promotion for the first 6 months of this year to be 160,374,000 yen - an increase of 52,423,000 over the corresponding period of last year.

No Banking Failures for a Year (Japan Weekly Chronicle, 6/8/33.)

A marked improvement is seen in the rural banking world. There has not been a single failure since May last year, when a Shidzuoka bank was forced to suspend. It is quite unusual for no banking failure to be experienced for a year.

The position of rural banks was very unsatisfactory a few years ago, particularly when Japan left the gold standard. Many banks had either to wind up, or close their doors temporarily. Particularly noteworthy was the banking panic in Nagoya in March last year, when the fate of rural banks was viewed with grave apprehension.

During the second half of last year, however, a huge sum of money was diverted by the Government into country districts in the form of emergency-relief and Manchurian-Affair expenditures. The prices of cocoons, rice, and other principal agricultural products started to pick up. This enabled many rural banks to recover their frozen loans.

Many banks now report a gradual increase in deposits, and a continued recovery of old loans. They have plenty of money to look after their clients' needs. Some are now even ready to divert their reserve into the call market in Tokyo and elsewhere, and their investment in national bonds is gradually increasing. It is expected that these banks, like town banks, will soon begin to feel an oversupply of money.

There is a growing demand in country districts for an immediate adjustment of banks in temporary suspension. With the value of land and farms already at bottom, and prices of agricultural products continuously recovering, it is argued, this is an opportune time for these banks to reorganize. It is interesting to note, in this connection, that there is a strong movement by the managements of these dormant banks to enlist the assistance of prefectural offices.

Banking Report at End of May (Commercial Attache Halleck A. Butts, Tokyo, 6/28/33.)

The report of the Tokyo Clearing House indicates that at the end of May total deposits showed a gain of 53,677,000 yen over the previous month, and loans a decline, in accordance with the prevailing tendency for the past 6 months. Evidence that the banks were buying bonds and securities at an increasing rate is shown in the statement of security holdings, which totaled 1,907,247,000 yen, or 75,300,000 yen in excess of the previous month.

Bank of Japan Acts to Help Fifteenth Bank (Trans.-Pacific, 6/29/33.)

The Peers' Bank, as the Fifteenth Bank used to be called, has obtained a further dispensation from the authorities and will not be obliged to close. The Bank of Japan has acceded to the bank's repeated requests and has cut the interest rate on the 173,000,000 yen which the Fifteenth Bank owes the Bank of Japan from 2 percent to 0.8 percent. The Fifteenth Bank, however, has to accept a reduction in its yield from the 40,000,000 yen loan to the Kawasaki Dockyard, and thus saves about 400,000 yen a year, net.

Deposits Bureau has Large Profit (Trans-Pacific, 6/29/33.)

Profits from the sale of its holdings of foreign currencies accounted during the past fiscal year for the largest net profit ever reported by the Deposits Bureau in the Finance Ministry. Profits from such sales totaled 43,000,000 yen, and the total profit from all operations was 69,416,000 yen.

No Marked Effects from Drop in Dollar (Commercial Attache Frank S. Williams, Tokyo, 7/8/33.)

Business has been seasonally quiet, the only important development being the continued rapid drop in dollar exchange. It seems probable that Japan's export trade will not be seriously affected, except in the case of a few commodities sold to the United States, but silk traders are pessimistic because of the failure of local silk prices to react to the latest decline in the exchange value of the dollar, and fear of a reactional increase in that unit's quotation.

The favorable effect on imports from America has been minimized by American price advances, particularly in raw materials, and the only important effect as yet has been a stimulus to automotive imports, reduction in interest and amortization charges on American loans, and consequent improvement of the finances of electric power companies.

Wholesaler prices have advanced 1.6 percent.

Note Issues at the End of May 1933 (Commercial Attache Halleck A. Butts, Tokyo, 6/12/33.)

The outstanding note issue on May 31, 1933, as officially reported by the Department of Finance, Tokyo, was as follows (in millions of yen):

Bank of Japan notes	1,090
Bank of Chosen notes	103
Bank of Taiwan notes	41
Government small notes	11
Total	1,247

Bank of Japan notes additional to the above, held as security for note issue of the Bank of Chosen, amounted to 34,854,346 yen on May 31, 1933.

Exchange Control Law Not to Interfere with Trade (Commercial Attache Halleck A. Butts, Tokyo, 6/17/33.)

The Director of the Exchange Control Bureau states that there is no intention at this time to interfere with foreign trade. The law was designed to minimize the decline of the yen by eliminating speculation, and all efforts are now devoted to that end.

Trade Generally Does Not Reflect Exchange Rate (Office of Commercial Attache Tokyo, 7/18/33.)

Business conditions are quiet and featureless in Japan. The advance in the exchange value of the yen to around 30 cents has not yet been reflected in trade, but there is a noticeable tendency to withhold import orders in anticipation of further improvement in the exchange quotation. Semi-official announcements indicate no intention to control the exchange rate, and business and financial leaders predict that the exchange situation will have no unfavorable effect on Japanese exports.

Japan Might Control Exchange Fluctuations (Commercial Attache Halleck A. Butts, Tokyo, 6/20/33.)

Viscount Ishii is reported as having suggested in London that Japan was prepared to consider temporary steps to control exchange fluctuations pending a return to the gold standard by all countries. Finance Minister Takahashi in a public statement indicated that he did not believe that any temporary steps could stabilize exchange.

American Price Level Favorably Affects Japan (Mitsubishi Monthly Circular, June 1933.)

The advance of commodity prices in the United States caused an upward movement in this country, but the advance here was naturally limited by the rise of the Japanese exchange rates in regard to the dollar. The advance was the first improvement since the downward reaction which started at the beginning of January.

For the time being, therefore, the inflation policy now carried out in the United States has had a wholesome influence on economic conditions in this country, particularly as regards the silk industry, the improvement in which benefits the agricultural districts on account of higher prices for cocoons.

The continued activity in relief works, the war-material industries and the export trade helped to sustain the price structure of commodities and securities. Other favorable factors were the Sino-Japanese truce agreement late in May and a more stable outlook for the present Ministry.

The future prospects of business conditions are, however, obscured by the uncertainties surrounding the development of American economic policy and the fate of the forthcoming World Economic Conference. The increase in tariff rates on Japanese export goods in China, British India and elsewhere casts a shadow upon the prospects of the export trade, particularly in textile manufactures.

The Money Market and Government Bonds (Commercial Attache Halleck A. Butts, Tokyo, 6/28/33.)

Quotations on Government 5 percent bonds during the week reached par, while 4 1/2 percent bonds were quoted at 98.25, against an issue price of 97. The Government is therefore considering revised interest rates on bonds issued this fiscal year. It is possible that 4-percent 6128--8.

bonds with a maturity of 10 years and 4 1/2 percent bonds maturing in 20 years will be offered at par; these would be the best terms ever secured on domestic bonds.

Price Levels During May 1933 (Commercial Attache Halleck A. Butts, Tokyo, 6/12/33.)

The Bank of Japan retail price index for Tokyo covering 100 commodities and based on July 1914 prices stood at 143.4 in May 1933, as compared with 143.6 in April and with 134.0 in May 1932.

The Tokyo wholesale price index for May 1933 increased to 176.8 from 176.2 in April. This index is based on October 1900 prices as 100, and covers 50 commodity items. The level in May 1932 was 150.3.

Index numbers for May 1933, as percentages of varying basic figures.

Based on May 1928 prices as 100	77.9
" " " 1929 " " "	79.3
" " " 1930 " " "	93.3
" " " 1931 " " "	114.8
" " " 1932 " " "	117.6
" April 1933 " " "	100.3

Prices are Buoyant (Commercial Attache Halleck A. Butts, Tokyo, 6/20/33.)

The commodity indexes are showing an upward movement. This is due in some measure to the higher prices of imported commodities or, as commonly remarked by the Japanese, to the inflation policy of the United States. Wholesale prices of some imported materials advanced this month, notably, copper and rubber. Domestic foodstuffs, rice and barley, and all yarns and textiles, silk, cotton, and rayon, have appreciated in price. Raw silk prices fluctuated with exchange.

Industries Pay Higher Dividends (Commercial Attache Halleck A. Butts, Tokyo, 6/20/33.)

Although the Government and the Bank of Japan indicated that increased dividends were not desirable, practically all industrial companies increased their dividends; this applies particularly to the spinning and weaving industries, cement, mining, steel, chemical, etc. The principal exceptions were the electric power companies. Banks, trust companies, and sugar companies generally maintained dividends.

Tokyo Exchange Reform (Japan Weekly Chronicle, 6/8/33.)

The Department of Commerce and Industry has at last taken an action for a clean-up of the Tokyo Stock Exchange, which in the recent periodical inspection disclosed many irregularities. It has now ordered the exchange management to expel all questionable brokers, and in the future to exercise strictly its regulations for payment and other matters. It is stated that the recent decision of the exchange management to increase its dividend against Government wishes prompted the present action.

Foreign Traders Ask for Subsidies (Commercial Attache Frank S. Williams, Tokyo, 7/3/33.)

Foreign traders are asking additional Government assistance in connection with the Russian trade. At the same time the Government is announcing trade-promotion facilities in other directions. Optimism prevails regarding the export trade.

PERSIA

(On May 18, 1933 the National Bank of Persia quoted
exchange at 23 3/4 rials = \$1)

Persian Government Lifts Restriction on its Exchange (Minister Charles S. Hart, Teheran,
6/16/33)

By a law of May 9, 1933, the Persian Mejlis rescinded the provisions of the foreign-trade monopoly law so far as they relate to Government control of exchange. Formerly exporters were obliged to turn over to the Government full proceeds of their shipments abroad. Under a quota system such proceeds were reserved by Persian importers. The manager of an important foreign bank in Persia stated that he feared the move might be followed by a flight of capital. The Government's advisers, however, believed that there was a large supply of "hoarded" exchange which would be thrown on the market. On the whole, the latter opinion appears to have been correct, for during the past two weeks there have clearly been larger offerings of foreign exchange than the local market could readily absorb.

It should be noted that the Government's action in rescinding the exchange-control provisions of the May 9 law was accepted by virtue of the blanket authority conferred by that law. If conditions change, it is quite within the Government's power to reverse its policy.

SIAM

(One baht = 1/11 of £ or on July 26 = \$0.4193)

Siam Floats Internal Loan for 10,000,000 Bahts*

A report under the above title has been received from Commercial Attache Charles E. Brookhart, dated Bangkok, June 9, 1933.

STRAITS SETTLEMENTS

(On July 26 one Singapore dollar = \$0.5350)

New \$5.00 Currency Notes Straits Settlements (Trade Commissioner Frank S. Williams, Singapore, 6/19/33)

According to the Singapore Free Press of June 17, 1933, in the near future the Currency Commissioners of the Straits Settlements will issue a \$5 note of an entirely new design. (For further particulars apply to the Finance and Investment Division.)

TURKEY

(One Turkish pound = approximately 47 3/16 cents)

Notice to Holders of Ottoman Bonds*

In a report from Paris (No. 66606 dated June 20, 1933) Theodore Marriner, Counselor of Embassy, gave the text of a notice issued to holders of Ottoman bonds by the Belgian Association for the Protection of Holders of Public Securities.

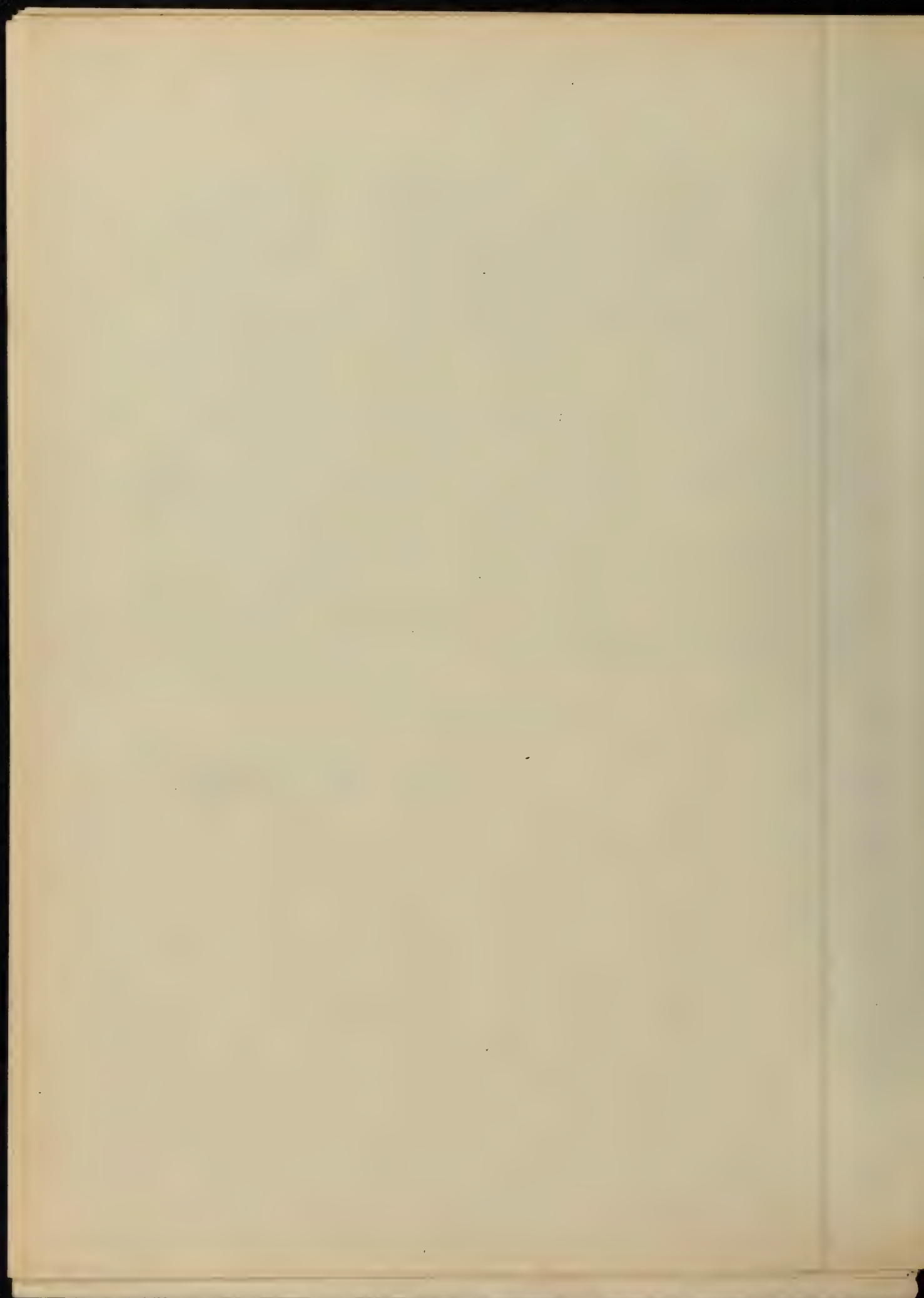
Silver Money in Turkey (Near East and India, 6/15/33.)

After examination by the financial, judicial, and budget committees, the bill authorizing the Government to issue divisional coins was passed by the National Assembly. The budget committee modified the bill, reducing by one-half the amount of 24,000,000 Turkish liras (pounds) for which the Finance Minister had asked power to mint silver coins. This amendment is accompanied by the following statement which, in view of the importance today given to the silver problem, has special interest:

The current idea existing in the principal financial centers regarding the use of silver as a means of exchange like gold have not yet taken any definite form. It is probable that this question will soon be the object of discussions among nations. In this respect, so long as one of the two possibilities, of which one is to coin silver, as it is practiced today, as divisional coins only, and the other to coin it both as divisional coins and as money proper, i.e., without basing it on gold, the preference has not been given to the second part of the alternative, the time has not come to decide for the issuing of so important an amount as 24,000,000 liras as divisional coins only, and the destruction of an equal amount of paper liras. On the other hand, as there has been no law withdrawing from circulation the silver mejidiehs and fractions issued under the Empire, and as, owing to this fact, there exists a money common to all countries separated from us, the custom has established itself for the population of those of our vilayets which border on these countries to use mejidiehs instead of paper money in their trade with them. The old coins, which today do not possess any but their metal character, constantly enter our country and give rise to a speculation prejudicial to our population. Authorization is given to the Minister of Finance, with a view to meeting the habits and needs of these vilayets and withdrawing from circulation the old mejidiehs and fractions, to issue a first amount of 6,000,000 liras in silver coins to be used as divisional coins on condition that an equal amount of paper money be withdrawn from circulation, and this being done, to proceed to a further issue of 6,000,000 liras according to the demands of the population and the general situation.

Grosvenor M. Jones, Chief
Finance and Investment Division

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

FOREIGN FINANCIAL NEWS

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No. 145

FAR EASTERN FINANCIAL NOTES

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AUSTRALIA

(On October 27 one Australian pound = \$3.7433)

Australian Government Finance in August (Trade Commissioner E. C. Squire, Sydney, 9/21/33)

In August the Commonwealth and State Governments showed a slight improvement in the combined financial position compared with July. The net deficit for the month was £634,000. The New South Wales deficit increased £1,792,000, that State having had to meet interest payments overseas and in Australia of £1,946,830, as well as exchange charges of £45,922.

Victoria, which in July showed a deficit of £1,016,000, recorded a small surplus in August. The accumulated surplus of the Commonwealth also increased. Queensland in July had a small surplus, which turned into a deficit during August.

On August 31 the aggregate net deficit for the Commonwealth and States for the two months was £1,600,000, compared with a net deficit of £819,000 at the end of July. During the two months, interest and exchange paid by Victoria amounted to £743,000; by New South Wales, £3,156,000; by Queensland, £301,000; by South Australia, £947,000; by Western Australia, £654,000; and by Tasmania, £355,000. The following is a comparison of the returns:

	Deficit for two months ended August 31, 1933
Commonwealth	£2,540,000 (surplus)
Victoria	952,000
New South Wales	1,915,000
Queensland	22,000
South Australia	511,000
Western Australia	491,000
Tasmania	249,000
Deficit	1,600,000

New Conversion Loan* (Trade Commissioner E. C. Squire, Sydney, 9/20/33).

The Finance and Investment Division has received some clippings regarding the new Commonwealth conversion loan of £20,951,000, which was so successfully negotiated in London last week, being oversubscribed with the list of cash subscriptions open only for 80 minutes. Trade Commissioner Squire, under date of September 20, comments as follows: "The loan covers £15,000,000 of Commonwealth 6 percent stock, £4,901,000 of New South Wales 5½ percent stock, and £1,050,000 of Western Australian 5½ stock. The terms are 3½ percent, issue price 98, and maturity 20 years. This loan forms part of the Commonwealth and State indebtedness in London that is at the 'optional redemption stage'. Of high-interest-bearing loans outstanding until recently £48,500,000 have now been converted to lower rates of interest, leaving £34,500,000 still to be converted."

Conditions Improve, States Trade Commissioner Squire, (Sydney, 9/28/33.)

That the business cycle continues to work itself out favorably in Australia is apparent week by week in various indices. The slight improvement in trade gives additional employment and better company profits, which in turn make possible some reductions in taxation.

During the past week statistics became available showing governmental surpluses or deficits for the first two months of the fiscal year. The finances of all the States, with the exception of New South Wales, show a considerable improvement over the corresponding period a year ago. The composite budgetary position of the States and the Commonwealth had improved by £830,000.

While New South Wales has not yet introduced its budget, the Premier has explained proposed reductions in taxation which will give a decided relief to industries. At the same time he announced that public works for the Water Board are to be started soon. The latter project has been desired for many years, as Sydney's water supply is inadequate, particularly during peak periods of the year.

The statistician of the New South Wales Government has published a number of business indices, all of which show the continuation of the favorable trends during recent months, although there was some tendency for this improvement to flatten out during July and August as usual. Some indications of possible interest are as follows (the figures apply to August): The value of city and suburban building permits for Sydney was £319,500, as against £146,000 in August last year. New cars registered averaged 112 per week, compared with 71 weekly in August last year. The stock exchange index increased to 122.5, compared with 74.4 in September 1931 and 121.3 in July of this year. The number of railway passenger journeys was 11,000,000 in July of this year, compared with 10,900,000 in July last year.

In the days of prosperity, previous to late 1929, Australia had almost continuous strikes, whereas during the worst period of the depression very few important strikes ever occurred. It perhaps is an indication of returning prosperity, particularly in the wool trade, that fellmongers have gone on rather an important strike, which may tie up two or three industries, such as meat packing.

New South Wales Withdraws from Certain Enterprises (Consul General John K. Caldwell, Sydney, 9/15/33).

The Premier of New South Wales has announced that the Government will sell the State-owned brick works, metal quarries, and Monier Pipe Works, for which tenders will be invited at an early date. The capital employed in the three enterprises is £419,000, and the aggregate loss last year was £6,303, without allowing for interest on the capital employed or full provision for depreciation. Other State enterprises, which cost approximately £800,000 and include timber yards, trawlers, joinery works, and lime works, have been abandoned. The State Brick Works in 1932-33 produced bricks at £4 4s. 0d. per thousand and sold them at £3 1s. 9d.

Bank Clearings Increase in 1933 (Trade Commissioner E. C. Squire, Sydney, 9/2/33).

Bank clearings for Melbourne and Sydney for the first 8 months of 1932 and 1933 were as follows:

Sydney	Business	Treasury bills	Total
January 1-August 29, 1932	£366,420,111	£ 58,030,588	£424,450,699
January 1-August 28, 1933	398,018,807	164,766,999	562,785,806
<u>Melbourne</u>			
January 1-August 29, 1932	382,982,479	35,683,688	418,666,167
January 1-August 28, 1933	390,098,875	39,170,995	429,269,870

Report of the Commonwealth Bank of Australia and Commonwealth Savings Bank of Australia (Trade Commissioner E. C. Squire, Sydney, 9/21/33.)

For the half-year ended June 30 accounts of the Commonwealth Bank of Australia disclose aggregate net profits for all departments, including that of the Commonwealth Savings Bank, of £861,083, compared with £1,041,871 for the preceding half-year, or a decrease of £180,788; while compared with the corresponding period of 1932 earnings are less by £567,651.

Australian Foreign Trade 1932-33 (Consul Albert M. Doyle, Sydney, 9/5/33).

A "credit balance" of pounds sterling 38,876,000 is shown in the overseas trade of Australia for the year ended June 30, 1933, as compared with a balance of 40,289,000 pounds sterling in the preceding year. During the year ended June 30, 1933, net exports of bullion and specie were 17,660,000 pounds sterling, of which 11,265,636 pounds was from the Australian gold reserve. There was thus a commodity credit balance of 21,216,000 pounds sterling, while in the previous year this balance amounted to 30,795,000 pounds sterling. The decline is due primarily to an increase of 12,777,000 pounds sterling in imports, since exports increased only 3,198,000 pounds sterling.

BRITISH INDIA

(On October 27 one rupee = \$0.3526)

Financial Paper Urges Rupees and Gold Be Retained for Central Bank's Use (Financial News, Bombay, 9/16/33).

(On the ground that the proposed Central Bank will need more assets than it is scheduled to receive, in order to maintain the rupee's value internally and externally, the Financial News urges that no further sales of silver be made, and that all the gold now held by the Government be retained as well.)

Of the two currency obligations of the Reserve Bank, the one relating to the convertibility of notes is discussed above. The other obligation of the Reserve Bank will be to sell sterling exchange to an unlimited amount at a fixed rate. The total resources of the Government at present that enables it to maintain the external value of the rupee and the convertibility of notes into silver coins are found in the combined total of gold-standard reserve and paper-currency reserve, which, quite apart from the other ordinary resources, amounted to about 2,330,000,000 rupees on August 31. But the present proposal contemplates a transfer of only 1,800,000,000 rupees of assets to the Reserve Bank.

From the speech of Sir George Schuster in the assembly on Monday last, it should be inferred that gold and sterling securities will amount to 50 percent of notes in circulation. It can also be inferred that gold-standard reserve and paper-currency reserve are to be merged. According to the Finance Member, the Government has already 830,000,000 rupees of gold and sterling securities with them and the balance of only 70,000,000 rupees has to be arranged to make up the 50 percent. If 500,000,000 rupees of silver rupees are to remain with the Reserve Bank, the securities required in India will amount to 400,000,000 rupees. In short, according to the present proposals of the Government, the reserves will consist of as follows:

	Rupees
Gold	350,000,000
Sterling securities	550,000,000
Silver rupees	500,000,000
Rupee securities	400,000,000
Total	1,800,000,000

What we want to indicate is that the total resources of the Reserve Bank amounting to 1,800,000,000 rupees to carry out its dual function of maintaining the external value of the rupee and the note convertibility in India will be far too short. It is, therefore, essential that all the assets of the gold-standard reserve and the paper-currency department should be transferred to the bank.

Fear of Exchange Rate Alteration Affects Securities Market (Trade Commissioner George C. Howard, Calcutta, 9/21/33).

All stock exchanges report a weak tendency in Government of India 3½ percent paper and a flight to the sterling issues, brought about by a renewal of the discussion concerning a change in the rupee-sterling ratio. Although the statements by the Finance Member negative the possibility of any change in the ratio in the immediate future, considerable unloading of rupee currency has been noted.

Proposal for Export Duty on Gold is Defeated (Trade Commissioner George C. Howard, Calcutta, 9/21/33).

There was a debate in the Council of State a few days ago on a nonofficial resolution urging an export duty on gold, but the resolution was defeated. The gold market maintained its steadiness during the week under review, owing to a speculative demand for francs. Stocks are estimated at 250,000 tolas and 30,000 tolas respectively in Bombay and Calcutta, with the offtake the same as last week.

Treasure Movement, April to July (Vice Consul F. Russell Engdahl, Calcutta, 9/14/33).

Net export of treasure, including currency notes, for private account amounted to 26,200,000 rupees in July 1933, as compared with 55,600,000 rupees in the previous month and 57,400,000 rupees in July 1932. Gold and silver imports and exports for private account in the four months April to July in 1933 and 1932 were as follows:

Item	Rupees 1933	Rupees 1932	Increase (+) decrease (-) in 1933 as compared with 1932
Gold imported	3,800,000	3,800,000	.....
Gold exported	180,000,000	185,800,000	- 5,800,000
Silver imported	1,900,000	9,700,000	- 7,800,000
Silver exported	2,700,000	2,200,000	+ 500,000

Imports of Silver into Bombay during August 1933 (Vice Consul Paul Hutton, Jr., Bombay, 9/20/33).

Country of origin	Quantity (ounces)	Value (rupees)
United Kingdom	32,328	43,460
Aden and dependencies	113	303
Straits Settlements	8	10
Hong Kong	7,432	20,000
Zanzibar and Pemba	2,036	2,791
Iraq	18,618	50,100
Muskat Territory and Trucial Oman	5,611	15,100
Other natives States in Arabia	2,166	5,571
Total	68,312	137,335

CHINA

(On October 27 one yuan = \$0.3009)

Provincial and Municipal Budgets (Finance and Commerce, 9/20/33).

The following budgets for the year 1932-33 have been approved by the Central Political Council and the Directorate-General of Budgets, Accounts and Statistics and have been referred by the council to the Legislative Yuan for examination.

	Yuan
Honan Provincial Government	10,126,658
Anhwei Provincial Government	9,839,139
Hupei Provincial Government	18,381,049
Hopei Provincial Government	23,224,778
Kwangsi Provincial Government	13,243,295
Nanking Municipality	11,774,125
Greater Shanghai Municipality	9,819,084
Tsingtao Municipality	5,436,818
Peiping Municipality	4,570,042
Administrative Office for Weihaiwei	466,512

The Complaints of China's Bondholders in England*.

Under the above title the September 20 issue of Finance and Commerce (Shanghai) carries an article which may be borrowed from the Finance and Investment Division.

The Tael's End (E. Kann in Finance and Commerce, 9/20/33).

"It will be recalled that mention has been made in my reviews on various occasions though although the tael was officially and definitely abolished on April 6, 1933, the 1 smelting shops continued to manufacture more sycee taels. Not only was this going on the material used for the new shoes was derived almost entirely from smuggled 20-cent of Canton origin. The Government warned the loofangs to stop the manufacture of sycee the request remained unheeded.

"Now a very effective way has been found to force the smelters definitely to down to 1 The authorities simply closed the office of the public assayer, the Kung-ku-chu. Since 1 latter will not in future function any longer, his chop can no more be affixed to every s Without the assayer's inscription a sycee shoe remains a lump of silver of undefined mone value.

"The Kung-ku-chu ceased to function on September 14, 1933, which date may therefor a taken as the burial day of Shanghai sycee..... The Shanghai mint is continuing to ha a existing sycee stocks for conversion into new national dollars."

Trust Company Business Grows (Commercial Attache Frank S. Williams, Tokyo, 9/18/33).

According to preliminary figures just made public by the Trust Association, money held by trust companies at the end of August totaled 1,302,332,000 yen. Assets totaled 1,535,120,000 yen, while liabilities aggregated 1,534,243,000 yen -- representing an increase in the former of 19,944,000 yen and in the latter of 19,725,000 yen, compared with July. The increase in liabilities is due to the increased amount of money in trust, which showed a gain of 19,208,000 yen over the previous month.

Finance Vice-Minister Denies London Rumors Regarding Free Gold (Trans-Pacific, 9/7/33).

Mr Hideo Kuroda, Administrative Vice-Minister of Finance, Monday denied that Japan is planning to restore a free gold market. The rumor, which originated in London, was probably due, he said, to plans to ship gold to England to settle international accounts. No private gold is involved, the metal in question being that purchased for Government account by the Bank of Japan. Such holdings now total almost 30,000,000 yen. In the past, gold shipments of this kind were made frequently to the United States but ceased when America went off gold.

The Government continues to purchase gold at 8.88 yen a momme, despite the fact that the world market is about 26 percent higher. When the yen was at par, the price per momme was 5 yen.

South Manchuria Railway to Convert Bonds (Trans-Pacific, 9/7/33).

The South Manchuria Railway Company, which recently converted 35,000,000 yen debentures with 6 or 6½ percent coupons to 4½ percent bonds has decided to convert its remaining 6 percent debentures totaling 105,000,000 yen. Negotiations will be opened between Mr. Miki Obuchi, director of the rail concern, and Mr. Toyotaro Yuki, president of the Industrial Bank of Japan, shortly. It is expected that 50,000,000 yen of the above total will be converted during September. If the negotiations materialize, the concern will save in interest about 1,200,000 yen a year.

Index Numbers of Leading Groups of Commodities (Commercial Attache Frank S. Williams, Tokyo, 10/4/33).

According to a statement issued by the Department of Commerce and Industry, the wholesale commodity price index at Tokyo and in twelve other leading cities of the country for August was 95 -- a decline of 0.2 percent compared with July. Compared with August 1932, however, the index represents a gain of 19.2 percent. Among the eight major groups, metallic products stood first, at 110.5; sundry goods, 108.2; industrial chemicals, 107.7; building materials, 97; fibrous products, 93.8; fuels, 90.3; foodstuffs, 85.8; and manures, 85.3. The retail index averaged 0.5 percent higher than in July and 11.6 percent higher than in August 1932.

Large Utilities Refinance (Commercial Attache Frank S. Williams, Tokyo, 9/18/33).

As evidence of the continued tendency of major industrial concerns in Japan to rearrange their financial structure by converting domestic debentures into issues bearing lower interest, made possible by existing low money rates, announcement was recently made that five large

Japanese power companies are contemplating new issues at an early date. The Tokyo Electric Light Company, Toho Electric Power Company, Daido Power Company, Ujigawa Electric Power Company, and Nippon Electric Power Company are all reported to have had very good business during the past 18 months, due partly to increased demand for power from munition industries and general manufacturing plants. The Nippon Electric Power Company and the Tokyo Electric Light Company recently converted all their domestic debentures into 5 percent issues; while the Daido Company, and the Ujigawa Company converted 40,000,000 yen and 10,000,000 yen respectively, at the same rate.

PERSIA

(The bank selling rate for the two weeks ended September 6, 1933, averaged 17.3 rials to the dollar)

Premium Paid for Persian Export Certificates (Minister Charles C. Hart, Teheran, 8/15/33).

On July 10, 1932, a new (amended) trade monopoly law was voted by the Persian medjlis, which provided that an export certificate to be a "valid" supporting document to an application for import permit must be accompanied by a bank statement certifying that foreign exchange to the face value of the export certificate had been sold to the bank for the Government's account.

The foreign-exchange provisions of this law were abrogated by a law of May 9, 1933, which was made effective by a decision of the Council of Ministers on May 31. The premium paid locally for export certificates during the period during which the law of July 10, 1932, was in effect, were as follows:

(1) Immediately prior to passage of the law of July 10, 1932, the premium was 15 percent of the certificate's face value.

(2) During July and August 1932, uncertainty as to the effect of the law, particularly the provision requiring exporters to "validate" their certificates, caused the premium to rise to an average of about 25 percent.

(3) By September 1, 1932, the premium had depreciated to slightly below 20 percent.

(4) On October 1, 1932, the premium was back to 15 percent, a figure from which it varied slightly during the next seven months, that is, up to the passage of the law of May 9, 1933 "liberating" all foreign-exchange transactions.

(5) The passage of the law of May 9, 1933, had the effect of reducing the premium, which fell to approximately 10 percent, a figure which has since been maintained with but little variation to the present date.

Premiums paid at Teheran for Export Certificates during the Year Ended August 1, 1933.

(Note: Not including prices paid for so-called "Cereal Certificates" permitting the importation of certain "prohibited" merchandise, which frequently sold for as high as half its face value.)

First day of --	Percentage of face value of export certificate
August 1932	26.0
September 1932 ...	18.5
October 1932	14.5
November 1932	13.5
December 1932	16.0
January 1933	15.5
February 1933	19.5
March 1933	16.5
April 1933	17.2
May 1933	16.0
June 1933	11.2
July 1933	11.0
August 1933	10.2
Average premium on 13 dates listed	18.7

Persian Note Issue Increased 22 percent to Approximately 195,000,000 Rials*.

A report (No. 1740, dated August 20, 1933) under the above heading has been received from Minister Charles Hart, Teheran.

Persia Acquires Gold (Samuel Montagu and Co. Weekly Review of Foreign Exchanges, 10/5/33).

During the period September 25 to October 2, £1,000,000 in gold left this country (United Kingdom) for Persia.

Indian Buyers of Persian Dates Authorized to Import and Export Silver Rupees (Minister C. Hart, Teheran, 9/6/33).

The following brief news item appeared in the Ettelaat of September 3: "The Council of Ministers at its meeting of August 30 authorized the free import and export of silver rupees, at southern ports only."

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

Banking Activity Increases (Trade Commissioner E. D. Hester, Manila, 10/19/33).

The consolidated banking report for September shows an increase over August in practically all items. Average daily debits to individual accounts were up 20 percent. This is partly attributed to heavy trading in gold stocks.

P. I. Revenues Collection below last Year's (Trade Commissioner E. D. Hester, Manila, 10/19/33).

The Treasury balance has improved, although, because of the decline in sales tax and income tax collections, internal revenue receipts at Manila during September were nearly 30 percent under those of September 1932.

SIAM

(One baht = 1/11 of a pound sterling; or, on Oct. 27 = \$0.4287)

Gold Exports Believed Index of Economic Conditions (Vice Consul Andrew G. Lynch, Bangkok, 8/23/33).

During the second quarter of 1933 a considerable decrease occurred in the exports of bullion and gold ornaments as compared with the corresponding quarter of 1932. Moreover, the average per month was somewhat less than the average for the preceding quarter of 1933. It is believed that smaller exports of gold indicate greater public confidence. April exports were low, May very high, while June exports showed a return to the average of the past few months.

STRAITS SETTLEMENTS

(On October 27 one Singapore dollar = \$0.55)

Straits Settlements Final Supply Ordinance, 1933 (Acting Trade Commissioner Carl H. Boehringer, Singapore, 8/28/33).

A bill is to be introduced into the Legislative Council to sanction certain excess payments made by several Government departments during 1932. An explanatory memorandum states the necessity for this legislation:

The expenditure for the year 1932 having on certain of the items detailed in Ordinance 20 of 1931 exceeded the provision therein made to the total extent of S\$275,405.89, this bill is prepared with the object of giving legislative sanction to such excesses. The schedule to this bill details only the net excesses on the various items in the schedule to the appropriation law for 1932. On other heads of the estimates for 1932 savings to the amount of S\$11,614,394.24 were made.

Federated Malay States Final Supply Enactment* (Trade Commissioner Carl H. Boehringer, Singapore, 8/28/33).

The August 25, 1933, issue of the Government Gazette contains the final supply enactment for 1933, the object of which is to make final budget provision for the public and railway services for the year 1932. The Finance and Investment Division has received a transcript of this enactment.

TIMOR

(On October 27 one Portuguese escudo = \$0.0459)

Exchange Restrictions in the Portuguese Colony of Timor* (Minister Robert G. Caldwell, Lisbon, 10/6/33).

This Division has received a copy of a report (No. 2566) on the above subject by Minister Robert G. Caldwell, Lisbon, Portugal.

TURKEY

(One Turkish pound = 12.06 French francs; or, on Oct. 27 = \$0.7745)

Turkey Reestablished "Export Compensation System" (Commercial Attache Julian E. Gillespie, Istanbul, 10/7/33).

The Turkish Council of Ministers adopted Decree Law No. 14975 on September 18, 1933, re-establishing the system of "compensation" which was abolished by Decree Law No. 14859 of August 20, 1933.

The principle of permitting the compensation of imports by exports of specific commodities was originally adopted by Decree Law No. 13344 of September 21, 1932, article 3 of which conferred upon the Ministry of Economy the right to authorize the importation of merchandise, irrespective of import-quota restrictions, against exports of a number of specified Turkish products selected by the Ministry. On January 14, 1933, the Council of Ministers supplemented Decree Law No. 13344 by Annex Decree Law No. 13774, Article 3 of which provided that in case any of the specified export compensation commodities were eliminated from the established list, three months' notice would be given by the Ministry of Economy. The application of the compensation system was somewhat restricted by Decree Law No. 13882 adopted on February 26, 1933, which established import quotas and restrictions for the second and third quarters of 1933, but the principle of compensation and the specific commodities previously fixed for export compensation, were maintained until August 20, 1933. However, Decree Law No. 14859, adopted on August 20, 1933, entirely abolished the compensation system without taking into account the stipulations of Decree Law No. 13774, which provided for three months' notice prior to the abolition of the above system.

The present Decree Law No. 14975 re-establishing the compensation system has therefore been enacted with a view to set matters right again from a legal viewpoint. (The full report may be borrowed from Finance and Investment Division by referring to report No. 178594, dated October 7, 1933.)

Turkey Offers to Buy Silver within the Country; Accepts Old Coins for Tax Payments (Commercial Attache Julian E. Gillespie, Istanbul, 9/27/33).

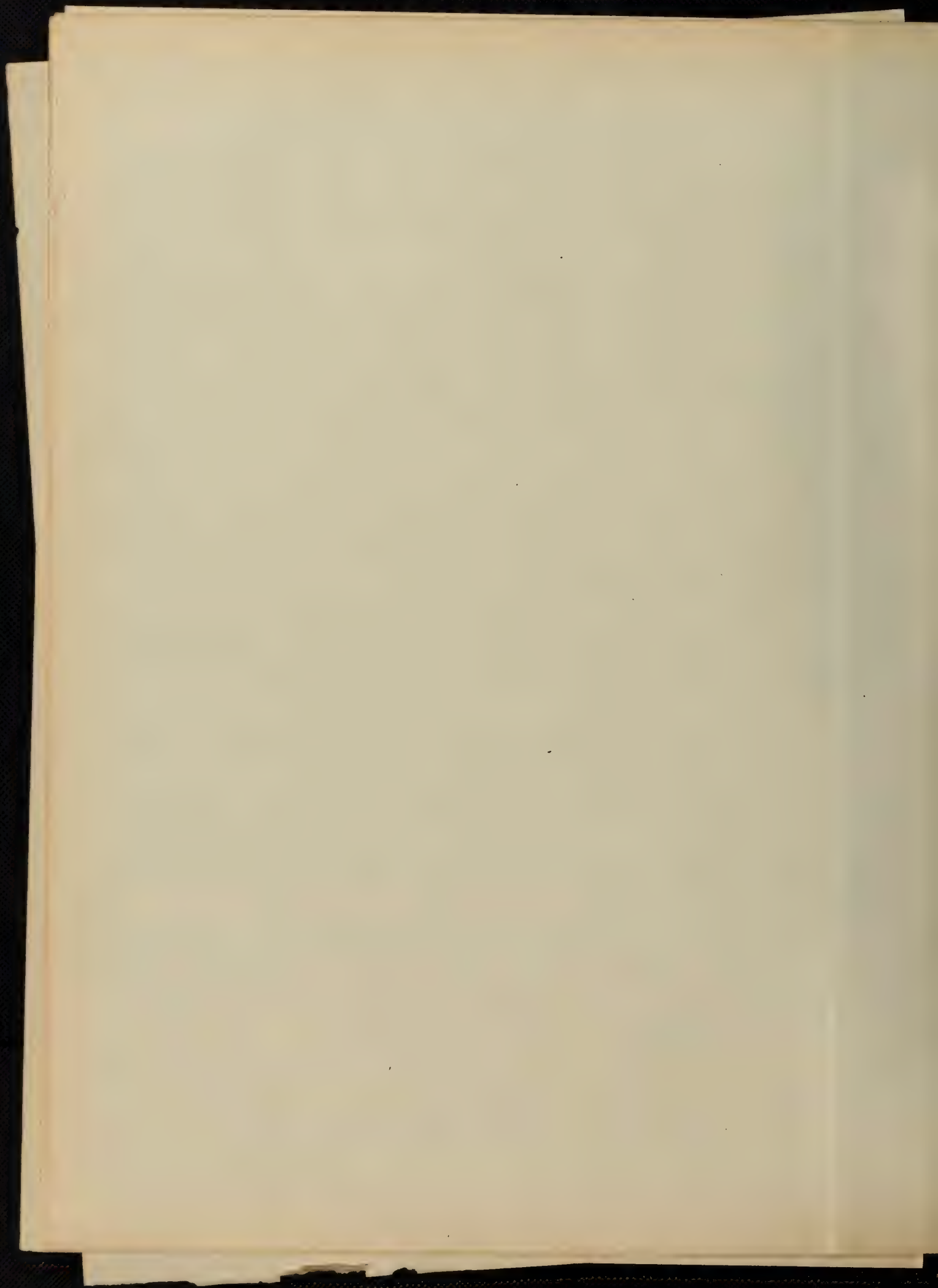
In order that as much as possible of the silver required for the minting of the coins authorized may be procured from sources within the country, the Government decided to accept the old Ottoman-Empire 20-piaster silver coins (medjidiyes) for tax payments. The Finance Ministry has instructed the tax offices to accept these coins at the rate of 37 piasters, paper, per medjidiye. The Central State Bank, also, is instructed to buy old silver offered it at 1.9 piasters per gram of fine silver. (This was equivalent on October 21 to approximately 39.2 cents U.S. per fine ounce.)

The medjidiye and other silver coins, as well as the gold coins put into circulation before the war, lost their legal-tender characteristics with the advent of the Republic. Until now, these coins have not been accepted by the Government for taxes, custom duties, etc., and have not circulated except at their current bullion value. The Government's decision to accept 20-piaster silver coins at practically their value as bullion was due to its desire to avoid transferring funds abroad.

Turkey Concludes Trade and Clearing Agreements with Germany*.

A report on this subject (No. 178535, September 25, 1933) has been received from Commercial Attache Julian E. Gillespie, Istanbul.

GROSVENOR M. JONES, Chief
Finance and Investment Division



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FAR EASTERN FINANCIAL NOTES

Note: In citing foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein. Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. Please refer to F.E.F.N. No. 146 and cite the page number of the item desired.

Table Showing Australian Financial Statistics During Current and Recent Fiscal Year (Trade Commissioner E. C. Squire, Sydney, 10/10/33).

The Federal budget, recently made public, is very optimistic about the financial prospects of 1933-34 and has by some been termed a "prosperity budget." Its publication caused an immediate upswing in stock exchange quotations and elicited favorable press comment abroad. The following is a table showing Australian budgets during the depression years and indicating the results of the now well-known Premiers' Plan.

COMMONWEALTH AND STATE BUDGETS AND EFFECTS OF PREMIERS' PLAN

	1929-30 Actual deficits	1930-31 Actual deficits	1931-32		
			Estimated Deficit		Actual
			Prior to Melbourne Conference	After conference adjustments and later revisions	deficit
	£000	£000	£000	£000	£000
Commonwealth.....	1,500	10,789	20,400	1,150	+ 1,321
New South Wales.....	5,570	7,850	11,510	5,910	(a) 13,570
Victoria.....	1,170	2,450	3,060	1,610	1,608
Queensland.....	720	840	1,630	760	2,075
South Australia.....	1,630	1,810	2,400	1,500	1,064
Western Australia.....	520	1,420	1,860	1,560	1,558
Tasmania.....	20	240	220	170	272
Total.....	11,130	(c) 25,370	41,080	(e) 12,660	18,826

(c) Excluding interest, etc. £3,834,149 paid by the Commonwealth on behalf of New South Wales and not recovered at June 30, 1931. Of this amount £1,672,722 would normally have been brought to account as expenditure by New South Wales during 1930-31 and the remainder in 1931-32.

(e) Originally £14,650,000.

(a) Includes £1,033,000 on account of 1930-31.

	Estimated Deficits 1932-33		Actual deficits 1932-33	Estimated deficits 1933-34
	Before adjust- ment under	After plan		
	plan	adjustments		
	£000	£000	£000	£000
Commonwealth.....	3,500	1,302	+3,545	1,176
New South Wales....	9,540	4,350	4,271	3,601
Victoria.....	1,950	851	856	700
Queensland.....	2,750	1,491	1,554	1,848
South Australia....	1,770	1,187	1,009	933
Western Australia	1,360	764	864	748
Tasmania.....	160	130	55	.....
Total.....	21,030	10,075	5,064	.....

+ surplus.

AUSTRALIA

(On November 10 one pound Australian = \$4.0925.)

Australian Short Term Indebtedness on August 31, 1933 (Trade Commissioner E. C. Squire, Sydney, 9/30/33.)

Although the aggregate short-term debt of Australia in August shows no change since July, the debts of the several states show moderate changes. The total at £81,095,000 is represented by treasury bills in Australia of £46,970,000, treasury bills in London £4,000,000, and by short-term debentures in London of £30,125,000. With credits in London of £304,000, the short-term debt in London is reduced to £33,821,000. Credits in Australia amount to £2,873,000, which brings the net short-term debt down to £77,918,000. A statement of the short-term position at the end of August is as follows:

	London	Australia	Total
	£	£	£
Commonwealth.....	10,220,000	.....	10,220,000
Victoria.....	6,092,000	5,915,000	12,007,000
New South Wales....	10,408,000	28,965,000	39,373,000
Queensland.....	.....	255,000	255,000
South Australia....	3,816,000	4,850,000	8,666,000
Western Australia	3,098,000	6,430,000	9,528,000
Tasmania.....	491,000	555,000	1,046,000
Total.....	34,125,000	46,970,000	81,095,000

Notes on States Finances (Trade Commissioner E. C. Squire, Sydney, 10/14/33).

The following are some notes on the recently-introduced budgets of New South Wales, Victoria, Queensland, and Western Australia.

New South Wales: Reductions in general income tax, unemployment relief tax, and railway fares, estimated at £3,000,000 are provided for in the budget for 1933-34. A deficit of £3,601,021 is anticipated, receipts being estimated at £42,333,546, and expenditures at £45,934,567. Last year the deficit was £3,758,839 and in 1931-32, when the Lang Ministry was in office, it was £14,227,845.

The Government has reduced the tax on income from personal "exertion" and property by 10 percent. This reduction applies to all classes and grades of income, including that of companies, and will involve a loss of revenue of £250,000 in 1933-34. The unemployment relief tax on salaries and wages will be placed on a graduated-scale basis. The unemployment relief tax on companies will be 10d. in the £1 flat rate instead of 1/-. The receipts from this tax will be reduced about £875,000. The reduction will operate from December 1. The family endowment tax will be abolished, and payments in connection with the services will be provided from other sources. Stamp duties are to be revised. Remissions on stamp duties will aggregate £75,000 and will operate from January 1, 1934. A reduction of approximately 10 percent will be made in both first and second class ordinary railway passenger fares and season ticket rates in metropolitan and country services. The reduction is estimated to involve £460,000 annually.

Provision is made for further contributions to the sinking fund amounting to £1,160,000, which, with the credit balance available, will provide about £2,150,000 for redemption of debt during 1933-34. The annual saving to the State in interest and exchange through conversions and the reduction of interest on external and internal loans is £1,705,224.

Victoria: The deficit for 1932-33 was £841,501, or £58,499 under the limit fixed in the Premiers' Plan. A deficit of £700,000 is expected for the current year. There is to be a further reduction of 5 percent in the rate of unemployment relief tax, making a total reduction of 15 percent below the rates operative in 1931-32.

Queensland: The budget introduced on October 4 shows a deficit of £1,848,000, the amount agreed to by the Premiers' Conference and the Loan Council. It will be met by treasury bills. No increase in taxation is provided for, but there is a £100,000 increase in expenditures on consolidated-revenue account..... The increase in expenditure is due to provision being made for increases in the salaries which have been withheld for two to three years owing to the financial emergency. In 1932-33 there was an actual deficit of £1,490,868. Receipts for 1933-34 are estimated at £13,202,935 as against actual receipts of £13,396,644 in 1932-33, while the expenditure is estimated at £15,051,877 against an actual expenditure of £14,951,-088 last year.

Western Australia: A deficit of £748,465 for the financial year 1933-34 is estimated. No additional taxation is contemplated. The financial emergency tax is estimated to yield £197,664 more than it did last year, when it was in operation for seven months and returned £202,336. The main factors relied upon for additional revenue include a greater return from public utilities and a special grant from the Commonwealth.

Federal Budget Speech is Well Received (Trade Commissioner E. C. Squire, Sydney, 10/9/33).

The most important financial event of recent weeks was the presentation of the Federal budget. On the whole the budget has been received very optimistically in Australia. Quotations on the Sydney and Melbourne stock exchanges have risen as a result, and favorable press comments abroad are being quoted in Australian papers. The budget is stated to be a "restoration" budget. Taxation has been reduced considerably and loan expenditures increased.

Some outstanding features of the budget are as follows:

The budget for the financial year ended on June 30, 1933, showed a surplus of £3,546,608, compared with an estimated deficit of £1,301,622. Revenue for that year amounted to £60,374,030, while expenditure was £56,827,422.

Revenue for 1933-34 is expected to yield £68,500,000. Expenditure is estimated at £69,736,490. After providing for taxation remissions amounting to £5,400,000, and additional expenditure amounting to £1,212,000, it is expected that the year 1933-34 will end with a deficit of £1,176,490. Had the relief proposed not been decided upon, a surplus of £5,476,000 would have resulted.

Total remissions of income tax amount to £2,620,000. The special tax on income from property is reduced by £1,100,000, taxation on life assurance companies by £710,000, company taxation by £585,000, the tax on "personal exertion" incomes by £200,000, and the assessment rate on shipping owned abroad by £25,000.

Concessions on land tax will amount to £400,000. Remissions of indirect taxation amount to £4,330,000. Sales tax is reduced by 1 percent and many additional exemptions are made. Primage duty remissions amount to £450,000.

A reduction of 3d. a gallon in the customs duty and in the excise duty on beer is announced in the budget. A total remission of customs and excise on whisky and spirits amounts to £150,000. The duty on tea is reduced by one penny and the 10 percent primage is removed. A reduction of 2d. a pound is made on the duty on crude rubber.

The expenditure on defence is increased by £1,462,000. For naval construction, including the building of a sloop, £280,000 is provided; £150,000 is made available for the improvement of coastal defences, £438,000 for seaplanes and aeroplanes, and £171,000 for the development of the munitions factories.

The rate of old age and invalid pensions will be increased by 2s.6d. a week, with a maximum of 17s.6d. a week. Should the cost of living increase pensions will automatically be raised until a maximum of £1 is reached. Concessions are made to dependents of war pensioners, amounting to £248,000.

The Financial Emergency cut on the wages and salaries of public servants is decreased by $2\frac{1}{2}$ percent and a cost of living deduction of £8 a year is restored.

Grants to the States will be increased in the current year to £2,130,000 or £300,000 more than last year. Loan works include the provision of £180,000 for a submarine telephone to Tasmania and £200,000 for housing and water supply at Canberra.

The Ministry has adopted in its main features the report of the Tariff Board on the protective incidence of primage and exchange.

There has been certain criticism to the effect that the budget is a "vote-catching" one and that the Lyons Government has attempted to "spike the guns" of the Federal Labor Party, since a new election must take place in about a year's time. Such comments are to the effect that the Government is counting on a further increase in business activity and prosperity and is making no allowance for the fact that sooner or later unfavorable seasons must occur in Australia, whereas exceptional ones have occurred continually during the depression. They further criticise the Government's restoration of part of the salary reductions of public servants made two years ago, since this will be taken by arbitration boards as an indication that general wages must be revised upwards, implying an increase in costs. However, optimistic comments are much more numerous than pessimistic ones.

War Debt Saving Subject of Official Comment (Trade Commissioner E. C. Squire, Sydney, 10/14/33).

The Prime Minister during the past week made a very concise statement regarding the savings the Federal and state governments have been able to make through the suspension of payments on war debts, which have lapsed entirely on account of the Hoover moratorium in 1931, and through the debt conversions within Australia and in London. Mr. Lyons, the Prime Minister, stated that it would have been necessary to pay £5,548,000 in interest and sinking fund on the war loan annually. An annual saving of £7,000,000 has been effected by the compulsory loan conversions in Australia, compared with the interreal interest payment in the financial year 1929-30. And the conversions in England since July 1, 1932 have made an annual saving to the Federal Government of £1,280,000 in interest and £370,000 in exchange.

Silver Coinage of Australia (The Australasian Insurance and Banking Record, 9/21/33).

From the Deputy Master of the Melbourne branch of His Majesty's Mint, Mr. Hugh D. McCoy, we have received a pamphlet on the "Silver Coinage of Australia, Rate of Wear." In this he gives the result of investigations carried out in Australia as compared with London inquiries in 1906 and 1909. The investigations were carried out with the assistance of the Commonwealth Bank, an examination being made of parcels of Australian coins taken from circulation. The mean age of coins was 22 years. The mean annual loss was .1791 percent for florins, .2077 percent for shillings, .2527 percent for sixpences, and .2609 percent for threepences. Much detailed information is given showing the rates of wear for coins of various dates and denominations. Amongst the comments on the results ascertained, Mr. McCoy points out that the best safeguard against counterfeiting is that all token coins should consist of coins with a clear and sharp impression. Silver coins are tokens, and there is no minimum weight fixed by law below which they are no longer legal tender. The amount of wear suffered before they are withdrawn is a question of policy of the Federal Treasury.

Australian Economic Position (Australasian Insurance and Banking Record, 9/21/33).

Three favorable factors in the Australian position have developed of late. The advance in the wool market has been a decidedly encouraging feature, counterbalancing the effect of the smaller wool clip. The reduction in the Australian clip is accompanied by smaller estimates of the clip in South Africa, which has been suffering from drought.*** The second favorable factor has been the rainfall in the wheat-growing districts during the last few weeks, a crop of 160,000,000 bushels now being looked for. The third factor has been the saving in interest payable on those loans which have been converted in England, the saving at the rate of approximately 1 1/3 million sterling per annum being a favorable item in the exchange position. Assuming that Australian exports for the 1933-34 season reach a good-sized aggregate and that imports do not concurrently increase in the same proportion, the question will arise of the possibility of enlarging Australian balances in London, though the building up of these balances on a scale comparable with what is achieved by some other countries obviously requires time for its accomplishment. As regards the immediate position, the manner in which the wool sales have been going at the various Australian selling centers this month indicates that the higher prices are on a settled basis, and if this affords the opportunity for a favorable movement in exchange there is ground for making such a readjustment at an early stage, if it is to be effected. One possible complication in connection with export trade is the limitation of exports of butter to the United Kingdom, which if carried out would effect Australian capacity to purchase goods from abroad or to make remittances for other purposes.

Conditions Regarded as Improving (Trade Commissioner E. C. Squire, Sydney, 10/9/33).

General indices of business activity announced have continued favorable. Customs revenue in September was £105,000 greater than in September last year. Postal revenue has shown a steady increase, and was £50,346 more than in September 1932. Bank clearings continue to show a gradual improvement. Employment in New South Wales for the latest period available, July, was 16,000 in 42 large factories, in comparison with 15,500 in June. The number of "unemployed registered" at labor bureaus in Victoria has been practically steady since March, after a huge decline before that date. During the last week in September there was again a slight decline. Victorian electricity consumption, for other than traction purposes, amounted to 36,819,000 units in August compared with 33,460,000 in August a year ago. Money continues to become easier, as indicated by the yield on Australian Government bonds, the average for the week ended September 30 being 3.66 percent. Share prices for the third week in September were 95.10 percent of the average quotations for the year 1925.

Political Crisis Over Financial Measure is Avoided (Trade Commissioner E. C. Squire, Sydney, 10/14/33).

Something of a minor political crisis occurred during the last week in the Federal Government, owing to the fact that Country Party announced that it would introduce an amendment to the financial relief bill, with regard to old age pensions. Since that time, however, the Country Party has let it be known that it did not wish for an election and would be willing to accept a compromise. It appears at the present moment that the matter will be adjusted in that manner.

Trade Balance for July-August was Favorable, an Unusual Occurrence (Trade Commissioner E. C. Squire, Sydney, 10/14/33)

Largely as a result of favorable wool prices the Australian balance of trade during the first two months of this fiscal year has been favorable. This is very unusual. July and August are regarded as part of the "off season" in exports. If gold exports are included, most of which represents production, the favorable balance for the two months amounts to £1,500,000.

BRITISH INDIA

(On November 10 one rupee = \$0.3839)

Indian Revenues (Trade Commissioner George C. Howard, Calcutta, 10/11/33).

The total revenue of India for the period April to August, inclusive, in the last three fiscal years are officially reported as follows:

	1931-32	1932-33	1933-34
	Rs.	Rs.	Rs.
Land revenues....	140,337,000	135,613,000	140,281,000
Salt.....	25,872,000	51,006,000	32,509,000
Stamps.....	49,260,000	52,149,000	52,289,000
Excise.....	55,948,000	54,853,000	56,664,000
Customs.....	170,364,000	205,871,000	193,116,000
Income-taxes ^{1/} ..	36,748,000	43,235,000	38,058,000
Forest revenues	9,836,000	9,400,000	9,251,000
Opium.....	5,724,000	6,874,000	4,330,000

^{1/} Including super taxes and excess profits duty.

Indian Revenues Reported (Trade Commissioner George C. Howard, Calcutta, 10/12/33).

Indian sea and land customs revenue (excluding salt revenue) collected during September, amounted to 37,500,000 rupees as against 40,700,000 rupees in the preceding month and 47,-600,000 rupees in September 1932. The revenue for the six months ended September 1933, was 236,400,000 rupees as compared with 265,200,000 rupees during the same period last year. Import duties accounted for 172,600,000 rupees; export duties, 19,600,000 rupees; excise duties on motor spirit and kerosene, 22,800,000 rupees and 14,200,000 rupees, respectively, and land customs and miscellaneous, 7,200,000 rupees.

Announcement Regarding Reduction in Indian Sterling Obligations (Trade Commissioner George C. Howard, Calcutta, 10/12/33).

The following information is taken from "Capital," a local commercial paper, dated October 12, 1933:

A financial memorandum circulated by the Secretary of State for India dated September 9 indicates that during the last official year India's permanent debt in England was reduced by approximately £1,000,000 (net), resulting from the discharge of nearly £4,750,000 of 6 percent bonds, 1932-33; the purchase and cancellation of £4,333,000 of 6 percent bonds, 1933-35; the repayment of £1,600,000 of the capital portion of the railway annuities; the redemption of £200,025 of debt by the operation of the state railways sinking fund, and the issue of £10,000,000 5 percent stock, 1943-47.

The Rupee-Ratio Talk During August (Vice Consuls Donald H. Robinson and F. Russell Engdahl, Calcutta, 10/12/33).

There continues to be considerable talk of altering the external value of the rupee, but there appears to be no reason to believe that such a change will be made. However, the continual talk and rumors of such a change has resulted in a setback to Government rupee securities and an appreciation in the sterling securities, caused by sales of the former for reinvestment in the latter, due to fear of change in the exchange value of the rupee.

August Treasure Movements Shown in Statistics; Trade Balance Favorable (Vice Consuls Donald H. Robinson and F. Russell Engdahl, Calcutta, 10/12/33).

Treasure on private account, including currency notes, showed a net export of 44,300,000 rupees during August 1933, as compared with 26,200,000 rupees during July and 43,800,000 rupees during August 1932. The following table presents a comparison of gold and silver imports and exports in the five months period, April to August, for the years 1932 and 1933 (thousands of rupees):

	Five months, April to August		Increase (+) or decrease (-) in 1933 as compared with 1932
	1933	1932	
Gold imported...	4,700	5,100	- 400
Gold exported...	224,600	231,000	-6,400
Silver imported	2,200	11,200	-9,000
Silver exported	3,500	3,400	+ 100

In terms of merchandise and treasure, India showed a favorable visible balance of trade for August of 89,200,000 rupees, as compared with 63,700,000 rupees in July, and only 35,-200,000 rupees in August 1932. For the five months ended August, India had a total favorable balance of trade in merchandise and treasure of 366,200,000 rupees, an increase of approximately 200 percent over the 120,500,000 rupees in the same period of 1932.

CHINA

(On November 10 one yuan = \$0.3258.)

One Hundred Million Yuan Loan (Commercial Attache Julean Arnold, Shanghai, 10/12/33.)

The Central Government has had to depart from its policy of the past two years in refraining from borrowing to meet current government needs. The extra calls upon the budget caused by the Sino-Japanese troubles in the North are the primary cause of the issuance of 100,000,000 yuan of customs-treasury notes to serve as security against advances from Chinese banks.

Another Request for Part of the American Loan (Finance and Commerce, 10/4/33.)

In a petition to the Central Government, the Yunnan Provincial Government request that a sum of 12,000,000 yuan be allocated from the American cotton and wheat loan for reclamation work near the Yunnan frontier and the opening of mines. If the request cannot be granted says the petition, it is hoped that the Central Government will give approval for the negotiation of a foreign loan by the Provincial Government to finance the enterprise.

To satisfy all the petitions so far received by the Central Government from various provinces for a portion of the American loan a total of considerably more than 900,000,000 yuan would be required. As the proceeds of the loan will certainly not amount to more than 150,000,000 yuan, it is obvious that very few of these petitions can be granted and it seems probable that the request from Yunnan, like many others, will have to be regretfully refused.

Why Not Repay the American Loan with Chinese Products (Finance and Commerce, 10/4/33.)

The interesting and intriguing suggestion that the United States might accept repayment of her \$50,000,000 wheat and cotton loan in Chinese raw silk and tea was put forward by Mr. Wang Pao-kwei, in the China Times, a local vernacular paper, last week. The basis of the suggestion was that America had extended credit to China, partly, at any rate, with the object of assisting this country in the present difficult period of business and that she might be willing to round off the good work by accepting silk and tea, in place of cash, in redemption of the loan and thus, incidentally, give a much needed fillip to two of China's languishing industries.

We have so far failed to discover any sign of philanthropy in connection with the American loan. There was no hope of selling the surplus wheat under discussion to China on a cash basis and, therefore, the American authorities took the risk, which is often taken by individual merchants, of offering it on very favorable credit terms. China, seeing a way of obtaining urgently required funds at a lower rate of interest than that for which she could obtain them elsewhere, accepted the offer. She accepted it without, perhaps, giving full consideration to the many disturbances in the country's domestic economy which these attempts at State trading must almost inevitably involve, but that is an aspect of the subject with which we are not, at the moment, concerned.

Whether America was justified in the risk she has taken remains to be seen. In any case, it is a question of almost negligible importance if viewed from the standpoint that the wheat was unsaleable and, in accordance with the peculiar fashion of these crazy times, might have had to be dumped eventually into the sea in order to relieve the market of an incubus.

As far as China is concerned it is difficult to see how the country as a whole will derive any great advantage from these one-way transactions, but reverse the process, or as Mr. Wang Pai-kwei suggests, complete the deal, not with cash, but by the barter of commodities and the prospects of a revival of certain important sections of Chinese industry become immediately apparent. A few months ago American business men were rejoicing at the unloading of portions of their stocks of wheat and cotton on the Chinese market. Those rejoicings have not found much of an echo in this country up to the present, but the situation would be change and Chinese as well as Americans would be able to join in a general chorus of approval over a sound business deal, if it were announced that the arrival of the shipments of wheat and cotton would be followed automatically by the placing of substantial orders for Chinese silk and tea.

This is the picture outlined by Mr. Wang Pao-kwei's proposals and it is such a pleasant one to contemplate that we have no desire to condemn his scheme as impracticable. On the contrary, it may be admitted that it has distinct possibilities in various directions, but it would be well to consider the practical difficulties in the way of its accomplishment before becoming too optimistic regarding results. These difficulties have, we are afraid, been overlooked to some extent by Mr. Wang himself.

French Investors Look to Manchukuo (Trans-Pacific, 10/5/33).

An industrial company under joint investment of Japan, France, and Manchukuo is likely to be founded in Manchukuo in the near future, according to a special cable to the Asahi from Dairen. This is the result of frequent interviews arranged between Mr. Andre d'Olivier, representative of French capitalists interested in Far Eastern investment, and South Manchuria Railway authorities. Mr. d'Olivier was in Japan until recently and is now visiting Manchukuo to investigate the possible investment of funds in promising industries.

Mr. d'Olivier has called on Mr. Yoshiaki Hatta, vice president of the S.M.R., and expressed willingness to make efforts to induce French capitalists to invest in the new state. The rail concern has consulted the Kwantung Army and the Manchukuo Government on the matter and has obtained their understanding. Negotiations on details, such as the form of investment, will be conducted between Director Yamazaki of the South Manchuria Railway and Mr. d'Olivier. French capitalists interested in the Far East, it is reported, hope to invest jointly with the rail concern. Mr. Hatta has been visiting Changchun several days, consulting the Kwantung Army and the Manchukuo government on the French proposal.

French Investment in Harbin May Pass to Japanese Hand (Trans-Pacific, 10/5/33).

The Sungari Wheat Flour Company, under French management, in Harbin, has been foreclosed by the National City Bank, and the Nisshin Wheat Flour Company, affiliated financially with Mitsubishi interests, is now negotiating with the National City Bank for its purchase, it is reported.

Japanese Would Buy Flour Mill at Harbin (Trans-Pacific, 10/5/33).

The Tunghsiung Wheat Flour Mill, Harbin, owned by the business bureau of the Central Bank of Manchukuo, may be purchased by the Japan Wheat Flour Company. Mr. Umeda is also conducting negotiations for purchase of Harbin's largest canned crab factory, the V.G. Deca Cannery, owned by a white Russian. Negotiations are also progressing between a Japanese business man and a white Russian for the purchase of the Harbin Bean Mill.

American Investment in Manchuria Sold (Trans-Pacific, 10/5/33).

The Ashiho Sugar Manufacturing Company in North Manchuria has been purchased by the Japan Sugar Company (which is closely connected with the Meiji Sugar Manufacturing Company) from the National City Bank, creditor of the sugar plant.

Oriental Development Company Expands in Manchuria (Trans-Pacific, 10/5/33).

The Oriental Development Company has concluded contracts for the purchase of the Showa Alcohol Company and the Kuangchi Alcohol Company, both in Harbin. The Oriental Development will merge the two plants and undertake operating the alcohol manufacturing plant with a capital of 1,500,000 yen.

Disposal of a Czechoslovakian Investment in Manchuria (Trans-Pacific, 10/5/33).

Industrial activity is being noticed in North Manchuria. Many plants in Harbin and other towns along the Chinese Eastern Railway, closed for many months after the outbreak of the Manchurian incident, are beginning to reopen, the majority of buyers from these factories being Japanese.

Many negotiations are in progress in Manchuria for sale of large factories. The Skoda Reassemble Factory in Harbin used to be operated under Czechoslovakian management. Mr. Kiyoshi Umeda, an Osaka businessman said to be affiliated with the Kawasaki Dockyard Company, Kobe, is negotiating with the Manchukuo Government now for the purchase of the plant.

Finance and Banking (Vice Consul Reginald P. Mitchell, Hankow, 10/6/33).

Aside from the action of several Hankow banks in seeking larger and permanent quarters, the Central Bank of China is continuing the establishment of branches in the interior, its latest branch being located in September at Lanchow (Kansu). An undetermined amount of new one-yuan notes were issued October 1 by the Farmers Bank of the Four Provinces in this region.

EGYPT

(One Egyptian pound = 102½ pound sterling or on November 10 = \$5.27.)

Egypt Weights the Gold Clause (Charge d'Affaires J. Rives Childs, Cairo, 9/25/33).

The question of the payment of the Egyptian Public Debt in gold was the subject of occasional comment in the vernacular press during August, Al Siuassa (Liberal-Constitutional) editorially suggesting that a decree be issued for payment in legal tender only. It was rumored that Sidky Pasha, on the occasion of his visit to Paris, would undertake to discuss the question with the French Foreign Office, while the First Secretary of the Residency stated in August that he felt some progress had been made towards a diplomatic settlement with the authorization given by the Egyptian Government to Badaoui Pasha, Chief of the State Legal Department, to enter into discussions with the French bondholders looking to the devising of a formula which might satisfy their interests.

Egypt's Gold Trade in First Half Year (Charge d'Affaires J. Rives Childs, Cairo, 9/25/33).

During the first six months of 1933 Egypt exported 2,437,320 grams of gold valued at £469,915, as compared with 1,912,855 grams valued at £330,415 in the corresponding period last year. No gold was exported during June.

JAPAN

(On November 10 one yen = \$0.3025)

National Debt in September (Commercial Attache Frank S. Williams, Tokyo, 10/16/33).

According to the Department of Finance, the national debt outstanding at the end of September was 7,405,702,000 yen, of which internal loans totaled 5,984,491,000 yen and external loans, 1,421,211,000 yen. Outstanding rice purchase notes totaled 296,618,000 yen and treasury bills 160,000,000 yen.

Report of the Industrial Bank of Japan.*

The Finance and Investment Division has received a copy of the 63rd report of the Industrial Bank of Japan for the half-year ending June 30, 1933.

One of Leading Power Companies Announces Sweeping Plans to Adjust Debts (Japan Advertiser, 10/1/33).

The Ujigawa Electric Company, Osaka, one of the so-called Big Five electric power companies of Japan, has surprised power circles with an announcement of radical debt readjustment, involving the suspension of dividend for the next four terms. These five concerns had been planning to carry out a thoroughgoing readjustment in connection with the prolonged economic depression and the heavy payment of interest on their foreign loans. Ujigawa is the first to announce a step in this direction.

The concern has funded borrowings, debentures, and bank loans, which are expected to be paid off within the next 15 years, according to an announcement of directors. Funds necessary for further erection of transmission and distribution lines, as well as for transforming stations and sub-stations, will be paid out of surplus. An open-end mortgage will be established for the concern's fixed assets with an aggregate value of 194,000,000 yen at the end of September 1933. Its domestic borrowings, totaling 68,500,000 yen, will be redeemed by means of conversion into low-interest loans. The company intends to redeem its foreign loans by purchasing its foreign-currency debentures to an amount of \$1,000,000 of face value every half year.

Effects of Lowering Postal-Savings Interest Rates (Japan Weekly Chronicle, 9/28/33).

Postal savings deposit accounts, which assumed an upward swing on July 1 when commercial banks reduced their rate of interest on deposits, continue to increase. They have now passed the 2,800,000,000 yen mark. The Government authorities are confident of a further increase in the near future.

The accounts, it will be recalled, registered a high record of 2,902,000,000 yen at the end of July last year. Owing to the reduction of the rate of interest from 4.2 percent to 3 percent in August, however, the accounts started to fall off. On May 15 this year the balance stood at 2,661,780,000 yen. During this period, it is explained, the larger portion which should have been deposited with commercial banks was withdrawn. The reduction in July of the rate of interest by commercial banks was a stimulus. Except in August when, owing to the "bon" festival settlement, a slight setback developed, the accounts have been mounting slowly but steadily. The balance on September 20 stood at 2,801,070,000 yen, an increase of 139,280,000 over May 15. The Postal Savings Bureau is highly hopeful of the outlook. So long as the money market retains the low interest tendency, it is confident, the accounts will continue to mount.

New Kwantung Exchange Control Law to be Put into Force (Japan Weekly Chronicle, 9/28/33).

A Dairen dispatch to the Asahi says that the new foreign exchange control law for the Kwantung province (leased territory) and the South Manchuria Railway zone will in all probability be promulgated on October 1, and that the working regulations collateral to the law will be made public within a few days.

It has been generally considered that the new law would be much more liberal than that in force in Japan. According to the above message, however, the case is quite the reverse, there being no particular difference between them. The new working regulations will have the same clause as Article 2 of the working regulations for Japan in regard to restriction of exchange transactions.

For all sales of gold and silver on exchanges in the Kwantung province and the S.M.R. zone, reports will be required, in the hope of checking speculative transactions and preventing a flight of capital. The activity by so called Dairen merchants will therefore be greatly restrained.

Alarmed by the report, the Asahi message says, speculators in Dairen have been sacrificing their outstanding operations. It is expected that their operations in Kobe and Shanghai, which have been responsible for constant fluctuations of the yen exchange, will be checked in the future.

NEW ZEALAND

(On November 10 one New Zealand pound = \$4.13.)

Plans for Central Bank Proceed Despite Opposition (Consul Calvin M. Hitch, Wellington, 9/30/33).

The Government seems determined to carry through its announced intention of passing legislation during the present session for the creation of a Central Reserve Bank. It is understood that the bill has been prepared and will be introduced within the next few days. Aside from the coalition members of Parliament, the measure seems to have no real support. The prominent daily newspapers are inclined to be against the measure, but are exceedingly cautious and reserved in their comments. The "New Zealand Herald" of Auckland, in its issue of September 15, concluded a full column editorial with the noncommittal statement that "It would be better that a central bank were never founded than that it should come as the result of hasty or ill-considered action. It is a step to be taken not lightly, but with a full appreciation of what it means."

The most out-spoken opposition appeared in the "Mercantile Gazette of New Zealand" in its issue of September 20, 1933. This publication has an extensive circulation among bankers, financiers, merchants, and manufacturers. It concluded a lengthy editorial by saying that "the setting up of a reserve bank in New Zealand will cause a maximum of disturbance to the banking and commercial systems of the country, without conferring any compensating benefit. The country is too young, too overloaded with debt, with a small population and insignificant trade, to warrant it indulging in the luxury of a reserve bank, which would be powerless to add an additional pound to the credit structure or a shilling to the price structure. The present is not an opportune time for establishing such an institution in New Zealand."

Many hold the opinion that if a reserve bank is really essential, the Bank of New Zealand is admirably equipped for this purpose. The only requirement would be a short amendment to its charter conferring upon it the necessary authority. A strong argument in favor

of this course is the fact that the Government already owns one third of the capital stock of the Bank, and has power to appoint a majority of its Board of Directors. The Government, however, does not appear to be impressed with this suggestion and it may be taken for granted that the necessary Legislation will be enacted at the present session of Parliament for the creation of a new institution for discharging the functions of a central reserve bank.

PHILIPPINE ISLANDS

(One peso = approximately 50 cents.)

Gold Mining Dividends (Trade Commissioner E. D. Hester, Manila, 9/27/33).

The Benguet Consolidated Mining Company and the Balatoc Mining Company have declared dividends of 30 centavos (\$0.15) per share for the third quarter of 1933.

SIAM

(One baht = 1/11 of a pound sterling or on Nov. 10 = \$0.4675.)

Theft of Banknotes Assuming Serious Proportions (Acting Trade Commissioner Carl H. Boehringer, Singapore, 10/3/33.)

During the past two months several thefts of Siamese banknotes forwarded by mail from Bangkok to Penang have taken place. According to information contained in the "Straits Times" of October 2, 1933, the various insurance companies covering this business have lost fully 336,000 baht distributed among three Bangkok banks. Some insurance companies have cabled their agents in Siam to decline insuring banknotes sent by registered mail. Other companies are limiting insurance on notes sent in any one letter to 1,000 baht, one half to be assumed by the post office and the other by the insurance companies.

STRAITS SETTLEMENTS

(On November 10 one Singapore dollar = \$0.60.)

Financial Position of the Straits Settlements at End of First Half, 1933 (Acting Trade Commissioner, Singapore, 10/5/33).

The following statement on the financial position of the Straits Settlements at the end of the first half of 1933 was announced by the Colonial Secretary's Office on October 2.

In the review last year it was anticipated that on December 31, 1932, there would be a surplus amounting to S\$55,750,000 of which S\$32,500,000 would be liquid. The actual surplus on that date, however, amounted to above S\$66,500,000 of which approximately S\$46,250,000 were liquid. The forecast of the position at the end of 1932 was based upon revised estimates which had been prepared in August of that year and put the probable revenue for the year at S\$39,757,495 as compared with S\$44,562,294.92 actually collected while placing the probable expenditure at S\$40,176,200 as compared with S\$34,196,482.65 actually expended. The difference between the estimated revenue and the actual receipts was mainly due to the transfer of S\$10,000,000 from the Currency Guarantee Fund, the revaluation of Colony's investments at the end of the year, interest on investments, and interest on loans and advances. The principal difference between the expenditure as estimated and the actual disbursements up to the end of December of that year was under public works extraordinary only. The budget for the current year showed an estimated excess of expenditure over revenue amounting to S\$5,628,146.

S\$64,000,000 Surplus. - It is now anticipated that the revenue for 1933 will amount to nearly S\$29,500,000 and, on the other hand, the revised estimate of expenditure is a little over S\$32,000,000. The deficit on the year's transactions will then be S\$2,500,000 only and

the surplus on December 31 next is, therefore, estimated to amount to about S\$64,000,000. Of the surplus about S\$45,500,000 will be liquid. Of that amount some S\$5,000,000 is held for subsidiary coins while another S\$4,500,000 is required for Treasury working balances and as a reserve against contingencies. The cash available to meet the deficit on the budget and other commitments in 1934 will therefore be S\$36,000,000. The estimated excess of expenditure over revenue during 1934 is S\$5,106,637. In addition there are loan commitments to the extent of S\$8,000,000, further commitments on public works extraordinary of S\$7,000,000 and contingent liabilities for advances to Singapore Harbour Board and for grants to the Singapore Improvement Trust amounting to S\$10,250,000. It will not probably be necessary to meet more than S\$500,000 of the loan commitments and S\$1,000,000 of the contingent liabilities in 1934.

Enactment Regulation Import and Export of Coin into and from the Federated Malay States*
(Acting Trade Commissioner Carl H. Boehringer, Singapore, 10/3/33).

The supplement to the Federated Malay States Government Gazette of September 22, 1933, the supplement being dated September 29, 1933, contains Notification No. 6928 announcing that a bill is about to be introduced in the F.M.S. Federal Council in place of the bill published as Notification No. 2436 in the Supplementary Gazette of March 31, 1933, which is cancelled. The bill represents an enactment to regulate the import and export of coin into and from the Federated Malay States. A copy of the text of the bill may be borrowed from the Finance and Investment Division.

Straits Settlements Defense Contribution for Imperial Defense (Acting Trade Commissioner Carl H. Boehringer, Singapore, 10/5/33).

A bill was introduced into the Straits Settlements Legislative Council meeting on October 2, which provides for an annual contribution by the Straits Settlements for the purpose of Imperial defense. The main provisions of the bill are, briefly, (a) from April 1, 1933 the Straits Settlements will pay a sum of S\$4,000,000 annually as a defense contribution; (b) this sum to be full return for the cost of the Colony's defense by His Majesty's naval, military and air forces; (c) the contribution for any year may be commuted to 20 percent of the revenues of the colony (the right to exercise this option will lie with unofficial members of the Legislative Council); (d) the contribution shall be by monthly instalments; and (e) expenditure by the Colony on the local forces shall not exceed S\$500,000 annually except when mobilized in an emergency.

This agreement, which is for a period of five years, provides for the continuance on certain terms for a further five years if the unofficial members of the council approve. In giving the objects and reasons for the bill, it is pointed out that it aims to put an end to the controversy which has now continued for many years between the Straits Settlements Colony and His Majesty's Government concerning the question of Defense Contribution.

Defense contributions during the last five years have been as follows:

1928	S\$3,960,000
1929	3,775,714
1930	4,239,728
1931	4,189,286
1932	3,947,143

Far Eastern Financial Notes No. 146--15.

Official Statement Covering Currency Guarantee Fund - Currency Situation in Malaya (Acting Trade Commissioner Carl H. Boehringer, Singapore, 10/5/33).

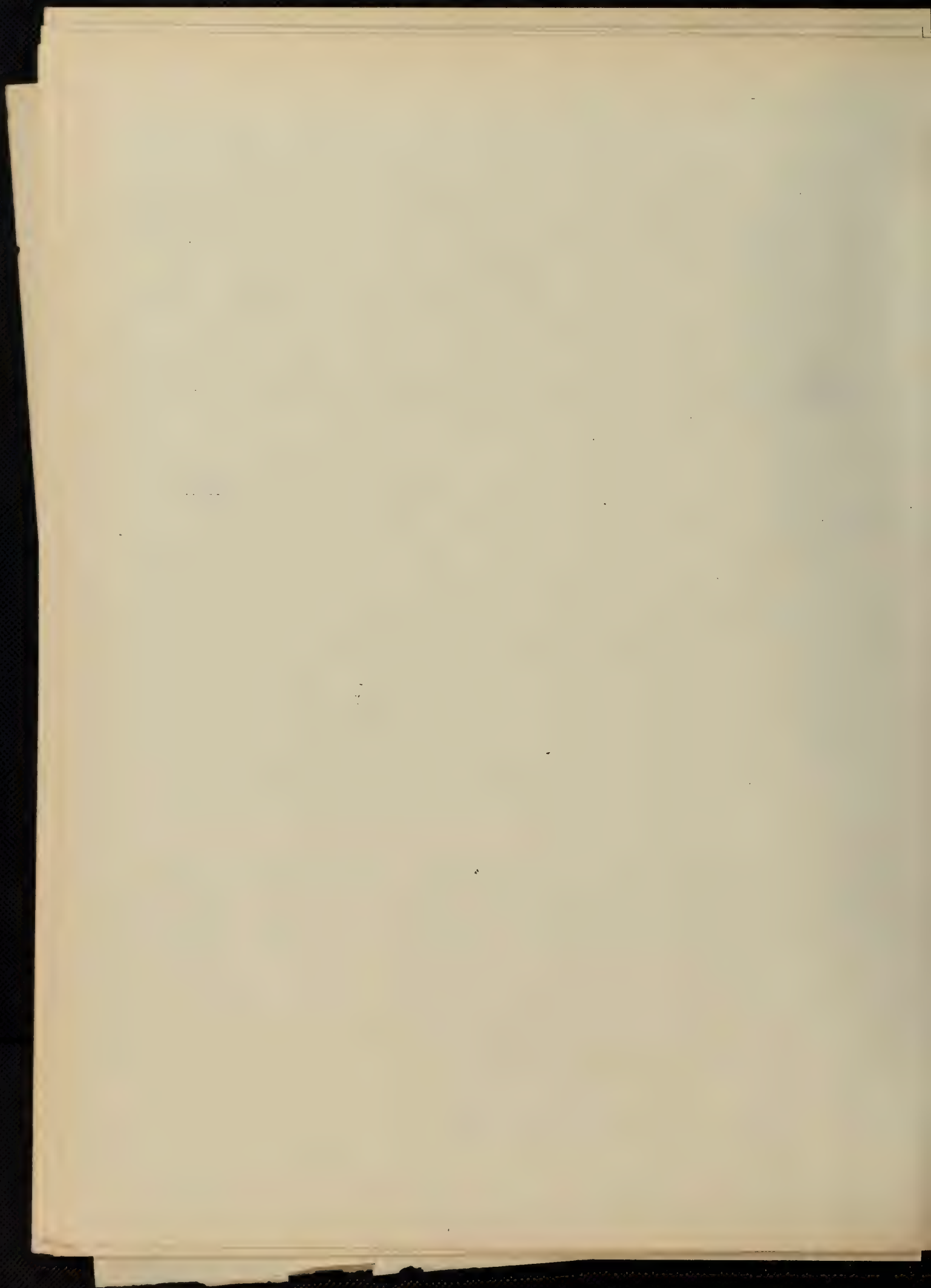
The Governor General of the Straits Settlements and High Commissioner for the Federated Malay States, during the course of his address before the Straits Settlements Legislative Council at Singapore on October 2, 1933, commented upon the currency guarantee fund of the Straits Settlements and the Federated Malay States. (A copy of these remarks may be had upon application to the Finance and Investment Division.)

Unfederated Malay States Balance Budget (Consul General W. Keblinger, Singapore, 9/9/33).

It is reported that the Unfederated Malay States will balance their budget this year and that Johore, the most important of the Malay States, will have a substantial surplus. The Federated Malay states, on the other hand, are not in so good financial condition, and are making tremendous cuts in expenditures to enable them to achieve a balanced budget.

Grosvenor M. Jones, Chief,
Finance and Investment Division.

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AFGHANISTAN

(The Afghan rupee has no fixed par value in terms of U.S. currency.)

Indian Professors Report on Afghanistan Currency (Trade Commissioner George C. Howard, Calcutta, 10/16/33.)

According to newspaper accounts, a party of professors of Islamia College, Peshawar, recently visited Afghanistan to study the educational, economic, and industrial progress, and on their return issued a statement of which the following is an excerpt:

So great is the confidence of the Afghan nation in the present Government that they are ready to accept as a standard of value a token silver rupee containing more than two thirds of copper. The Afghan rupee is no longer a silver coin in the usual sense of the term, but in spite of this knowledge, it readily passes from hand to hand and is cheerfully accepted by the people of the country. Paper currency is also being introduced to promote the interests of trade and industry.

AUSTRALIA

(On November 25, one Australian pound = \$4.1333.)

Australian Short-Term Indebtedness on September 30, 1933 (Trade Commissioner E. C. Squire, Sydney, 10/24/33.)

A compilation of figures from Government returns for September discloses that the gross short-term debt of Australia was increased that month by £3,785,000. The September 30 total of £84,880,000 comprised treasury bills in Australia (£50,755,000), treasury bills in London (£4,000,000), and short-term debentures in London (£30,125,000). The increase in the aggregate indebtedness is accounted for by treasury bills in Australia. Those issued by Victoria are £1,380,000 more than at the close of August, while other increases were: New South Wales, £1,100,000; Queensland, £830,000; South Australia, £390,000; and Western Australia, £85,000. Bank credits of £3,360,000 in Australia and of £239,000 in London reduce the aggregate net short-term debt to £81,281,000.

A statement of the September 30 position follows:

Treasury Bills and Short-Term Debentures			
	London	Australia	Total
	(000)	(000)	(000)
Commonwealth.....	£10,220	.....	£10,220
Victoria.....	6,092	£7,295	13,387
New South Wales	10,408	30,065	40,473
Queensland.....	.....	1,085	1,085
South Australia	3,816	5,240	9,056
West Australia..	3,098	6,515	9,613
Tasmania.....	491	555	1,046
Total.....	34,125	50,755	84,880

The following are the credits with bankers:

	In London	In Australia
Commonwealth Gov- ernment.....	£54,000	£1,005,000
Victoria.....	19,000	197,000
New South Wales.....	72,000	439,000
Queensland.....	*60,000	1,197,000
South Australia.....	34,000	366,000
Western Australia..	.....	156,000
Total.....	£239,000	£3,360,000

* London and New York.

Beneficial Effect of Loan Conversions (Consul General John K. Caldwell, Sydney, 10/17/33).

On September 29, 1933, the Prime Minister announced the details of the Australian conversion loan for £20,951,000, arranged in London. Cash applications received were ten times greater than the bonds available for allotment after allotments had been made to those bondholders who wished to convert.

The issues converted carried current optional right of redemption, and were as follows:

Commonwealth £15,000,000, 6 percents;
 New South Wales £4,901,000, 5½ percents;
 Western Australia £1,050,000, 5¼ percents.

The new issue bears interest at 3¼ percent and matures in 1953, with an option for the Commonwealth to redeem in 1948 or at any time thereafter up to 1953. The interest yield to the investor is nearly 3.9 percent. The savings in interest and exchange amount to £426,000 and £107,000, respectively.

In less than 12 months five conversion loans have been placed on the London market by the Commonwealth, totaling £71,564,000, of which £61,942,000 will henceforth pay reduced interest. The reduction ranges from 1¼ to 2½ percent. The saving to Australia is £1,582,000 a year, though not all of it will occur during this fiscal year.

It is reported that Mr. Bruce has informed the Commonwealth Government that the success of the last conversion loan makes it possible to convert, before the end of the year, the remaining State loans totaling £34,502,199, which are at the optional stage of conversion. Details of the loans are as follows:

5½ percent, New South Wales.....	£2,980,400
5½ percent, Victoria.....	2,980,849
5½ percent, Victoria.....	3,906,800
5 percent, New South Wales.....	3,979,050
5 percent, Victoria.....	13,875,800
5 percent, South Australia.....	5,633,300
5 percent, Tasmania.....	1,146,000
Total.....	£34,502,199

The Tasmanian Budget (Trade Commissioner E. C. Squire, Sydney, 10/24/33).

The tasmanian budget discloses a deficit of £50,000 for last year. The estimated deficiency for the current year is £55,000, taking into account the extra £50,000 granted by the Commonwealth. The Treasurer, in presenting the budget to the House of Assembly, said that there were encouraging signs of advance toward recovery, and directed attention to the improvement in mining, the increase in prices for certain preliminary products, and the revival in the building and timber trades. In the last two years expenditures have been decreased by £277,000, while revenue is £88,000 above the estimate last year. The Government, however, could not reduce taxation this year.

Australian Savings Banks Deposits Increase in August 1933 (Trade Commissioner E. C. Squire, Sydney, 10/24/33).

Deposits in the savings banks throughout Australia increased by £320,000 in August, reaching a total of £202,657,000 — the highest since September 1930, when the total was £209,900,000. The increase recorded in the year ended August 31, 1932, namely £5,042,000, was more than equaled during the quarter ended August 31, 1933, when the volume of deposits rose by £5,068,000. All the States except Western Australia have shown substantial increases the last two years. Total savings-bank deposits for the Commonwealth during the last five years (year ended June 30) have changed as follows:

	(000 omitted)
1928.....	£215,188
1929.....	225,486
1930.....	217,510
1931.....	193,375
1932.....	197,966
1933.....	202,282

BRITISH INDIA

(On November 25, one rupee = \$0.3853.)

Indian Customs Revenue (Trade Commissioner George C. Howard, Calcutta, 10/17/33).

The grand total of Indian sea and land customs revenue including salt revenue for the month of September 1933, together with other comparative periods, is shown below (in thousands of rupees):

	1933	1932	1931
September.....	37,462	47,562	39,758
Six months ended September.....	236,407	265,183	216,266
	<u>1933-34</u>	<u>1932-33</u>	<u>1931-32</u>
	525,260	534,424	477,346
	(budget		
	esti-		
	mates)		

Currency League Formed in India (Financial News, 10/14/33).

A meeting of prominent bankers and business men was held in the office of the Indian Merchants' Chamber on Saturday, October 7, when it was resolved to form a Currency League. The League is an all-India organization and has been formed with a view to organizing and educating public opinion on currency matters in the best interests of the country, particularly on the immediate necessity of obtaining devaluation of the rupee as against continuation of the 18d. sterling ratio. The formation of the Currency League at this juncture is very timely, especially in view of the introduction of the Reserve Bank Bill in the Legislative Assembly.

An influential committee has been formed with a view to furthering the objects of the League. At a preliminary meeting of the Currency League held on Monday, October 9, it was resolved that the objects of the League be the following:

"To encourage and provide facilities for the systematic and impartial study of the questions relating to currency, so that a currency policy best suited to the interests of the country may be evolved;

"To educate and organize public opinion, with a view to oppose the continuation of the 18d. sterling ratio, as is sought to be done through the Reserve Bank Bill, and to bring about an immediate devaluation of the rupee; and

"To do all other things for the promotion of these objects."

The Crisis of the Bombay Stock Exchange (Vice Consul Paul C. Hutton, Jr., Bombay, 10/17/33).

Since the first of the current month, public attention in Bombay has been directed to the rather critical state of affairs on the Bombay Stock Exchange following a mild panic occurring at the end of September as a sequel to disclosures of tremendous losses involved in the recent failure of certain large textile mills in Bombay.

While all the implications and reactions of the stock-exchange crisis are not immediately apparent, it cannot be doubted that the very severe decline in stocks has involved losses amounting to a local financial catastrophe, many of the repercussions of which have yet to be felt.

One of the first effects of the stock-exchange crisis was runs on two large Indian banking institutions in Bombay, alleged to have been financially affected by the failure of the Currimbhoy group of mills, and on their branches in outlying towns. Fortunately, these banks were able to withstand the runs, after making payments amounting to over 1,500,000 rupees (\$540,000) in two days. In this they were largely aided by easy money conditions.

Although the bank runs have virtually ceased, the financial situation in the city continues to cause nervousness, and local brokers are of the opinion that it will not cease until the passage of the next stock-exchange settlement, or until the affairs of the Currimbhoy group of mills are settled satisfactorily. Transactions on other local exchanges, such as the Cotton Exchange, the Seed Exchange, Bullion Exchange, and native banking concerns, have, in sympathy with the quoted prices on the stock exchanges, reflected declines in value. The present crisis, though involving no great amount of money, has greatly shattered the confidence of investors at a time when the fortunes of the smaller financiers are at a low ebb due to protracted business reversals.

It is understood that the Bombay Stock Exchange will remain closed for financial transactions in stocks for at least several weeks, and perhaps considerably longer.

(The full report, which includes an account of the organization and recent history of the Bombay Stock Exchange, may be borrowed from the Finance and Investment Division by referring to report No. 3593.)

The Currimbhoy Affair (Trade Commissioner George C. Howard, Calcutta, 10/17/33).

The money market in Bombay this past week was dominated by the Currimbhoy debacle and its repercussions. There were runs on several important banks. The banks, as was to be expected, met the demands without any difficulty. All these institutions have ample liquid resources and would be in a position to meet runs of even tenfold severity. Even so, they had to call in all their call funds in the market. The Central Bank and the Bank of India are, normally, the largest lenders of short money.

The result of the affair was a frenzied demand for interbank money and a hectic rise in rates. At one time, money was unavailable, even at 5 percent. Curiously enough, the banks are in the main unaffected by this tragedy, as their advances are secured. It is the bazaar parties that are faced with losses possibly beyond their capacity to bear in their present enfeebled condition. Between the Bank of India and the Central Bank, cash and liquid resources amount to nearly 250,000,000 rupees.

CHINA

(On November 25, one yuan = \$0.3328.)

Bartering Chinese Silk and Tea for American Cotton and Wheat (Finance & Commerce, 10/25/33).

According to reports issued by the Central News Agency in Nanking, the possibility of repaying the American cotton and wheat loan with Chinese silk and tea, to which reference was made in Finance and Commerce three weeks ago, is now being seriously discussed in official circles. It is stated that proposals on these lines have been submitted to General Chiang Kai-shek by Dr. Huang Chung, a well-known economist, and that the Generalissimo having approved them, there is a likelihood of negotiations being immediately opened with America with the object of securing their adoption.

China's silk trade is now almost moribund, and the idea of reviving it through this system of barter, which would mean the placing of substantial orders by the Government with the local filatures, very readily captures the imagination and is bound to be enthusiastically received by all Chinese silk dealers. But there is no easy road to prosperity; and, as we pointed out previously, this particular one, which is now to be more carefully surveyed, bristles with difficulties. These difficulties may be ultimately overcome, and there is no reason why they should not be if the cooperation of the sericulturists and the filatures is obtained and the general standard of production in the silk industry raised, but it will be a comparatively slow process, and hopes based upon the belief that the goal can be attained through negotiations alone are inevitably doomed to disappointment.

Therefore, if the negotiations which it is said are to be opened with America are to achieve any practical result, it will be necessary, in the first place, that the orders for silver be passed, as now, through recognized merchant houses which will test and guarantee the quality of the product, and secondly, that China should not undertake to supply quantities beyond her present somewhat limited production capacity. A sound, business-like arrangement on these lines might be possible, and, if concluded, would put new heart into the industry while efforts are being continued to improve sericulture and the technical efficiency of the filatures. More grandiose schemes, if contemplated under present conditions, are almost certain to end in failure.

Joint Reserve Board of the Shanghai Bankers' Association - Announcement No. 4 (Finance and Commerce, 10/25/33).

Notice is hereby given that, with a view to providing greater facilities to the local business community, the Joint Reserve Board of the Shanghai Bankers' Association has revised Regulations Relating to Joint Reserve Notes. New Notes will be issued beginning from July 4, 1933.

An extract from the regulations, as revised, is appended below:

1. A Joint Reserve note issue shall be signed by the drawer bank and shall contain the following particulars:

1. A certain sum of money.
2. The firm name of the payee.
3. An unconditional order to pay.
4. The date of issue.
5. The date of maturity.

When the payee is not specified, the holder is deemed to be the payee.

When the date of maturity is not specified, the note is deemed to be payable at sight.

2. The amount of a Joint Reserve note shall not exceed the limit fixed by the Board, as indicated on the face thereof.

3. The date of maturity of a Joint Reserve note shall not be later than the thirtieth day after the date of issue.

4. The Board shall, as the drawee of a Joint Reserve note, be liable for its payment according to the tenor of the language used in the note.

5. The holder of a Joint Reserve note may, before its maturity, apply to the Board for discount.

6. Discount rate for Joint Reserve note shall be fixed and published by the Board from time to time.

The full text of the Regulations can be obtained from the Board upon application.

Chinese Mint Manufactures "Currency" Bar (Finance and Commerce, 10/18/33).

Organized progress continues at the Shanghai Mint, whose output of yuan during September about equaled that of August, amounting to 3,900,000 yuan. Extensive tests have proved that the fineness of the yuan produced during September averaged 880.95 (1 mille above legally fixed standard), while the weight averaged 26.6877 grams, or 0.03 percent below standard.

Besides the yuan output, 665 mint bars, 0.999 fine, were produced by the Mint in September, of which 600 bars were delivered to the Central Bank of China. The Mint authorities are now engaged in the manufacture of a second kind of bar, having the same fineness as the standard yuan, viz., 880, and weighing exactly the same as 1,000 standard yuan. These bars are meant to serve exclusively clearing purposes between the banks and not for circulation.

Between March 1 and September 30 the Central Mint delivered to the Central Bank of China 2,260,000 silver yuan of the original design (with the sun and flock of birds) and 13,510,000 yuan of the revised design.

China Buys "Loan" Wheat (Minister Edwin S. Cunningham, Shanghai, 11/18/33).

The Chinese Government has begun purchases of wheat under the American loan agreement.

China's Silver and Merchandise Trade in 1933 (Minister Edwin S. Cunningham, Shanghai, 11/18/33)

Shanghai's silver imports during the first 10 months of 1933 totaled 64,000,000 yuan. Exports of silver totaled 85,000,000 yuan, of which 66,000,000 yuan were shipped to America. Excluding silver, Shanghai's exports during the 10 months were 264,000,000 yuan, and imports 629,000,000 yuan.

Shanghai Silver Stock (Consul Edwin Cunningham, Shanghai, 11/11/33).

Shanghai silver stocks aggregate the equivalent of 500,000,000 yuan, and foreign banks in Shanghai and Hong Kong are discontinuing paying interest on current deposits, and pay a maximum of 1 percent on fixed deposits.

Silver Movements (E. Kann in Finance and Commerce, 10/25/33).

For the first time after a long interval a heavy outward shipment of minted dollars has occurred during the term under review; 7,250,000 dollars have been consigned to Hong Kong. Apparently these were Mexican dollars, coins which are eligible for purposes of currency reserves in Hong Kong. To Shanghai this outflow means a slight relief of its superheavy cash position, and to China a small step toward the further unification of its dollar coinage.

The quantity of incoming treasure (silver) during the past 7 days was sycee 540,000 Shanghai taels from Tientsin and Hankow, besides 650,000 yuan, of which 400,000 yuan came from Tsinanfu, 150,000 from Wuhu, and 100,000 from Nanking. San Francisco shipped on October 20 altogether 950,000 fine ounces of silver to our port, optional Hong Kong.

Through the outflow of an appreciably large quantity of dollars to Hong Kong, the local banks' cash position has been slightly reduced and stands now as follows:

	Shanghai taels	Yuan
This week..	135,946,000	296,560,000
Last week..	136,735,000	301,300,000
Last week..	119,972,000	206,210,000

Of this week's total, 45,560,000 Shanghai taels and 180,520,000 yuan were being held by local Chinese banks.

FRENCH INDO-CHINA

(The French Indo-Chinese piaster - 10 French francs, or on Nov. 25 = \$0.6173.)

Payments made by French Indl-China to France (Consul Quincy F. Roberts, Saigon, 10/9/33).

On August 10, 1933, the Governor General of French Indo-China promulgated Articles, 6, 7, 8, 9, and 31 of the Law of May 31, 1933, fixing the contributions of the French Colonies to the French budget:

Indo-China is called upon to pay the following sums to the French budget:

	Francs
For military expenditures in France and military aviation expenses in the Colonies.....	74,423,000
Administrative charges --	
Intercolonial Pension Fund.....	1,022,700
National Institute of Colonial Agronomy.....	246,000
Expenditures for maintenance of General Agent for the Colonies	1,335,000
Total.....	77,026,700

Changes in the French Indo-China Customs Tariff Applying to Copper and Silver Coins (Consul Q. F. Roberts, Saigon, 10/16/33).

The Governor General of French Indo-China, by decree dated September 21, 1933, promulgated in French Indo-China a decree dated August 3, 1933, making certain changes in the French Indo-China customs tariff insofar as it applies to silver and copper coins. Prior to the promulgation of this legislation the importation of copper and silver coins, except those recognized as legal tender in French Indo-China was prohibited. The new legislation makes provision for the importation of foreign copper and silver coins, as well as old French and Indo-China coins no longer serving as legal tender, provided the coins are defaced or mutilated in the presence of a representative of the customs by melting, cutting, or hammering. (For the text of the decree and accompanying resolution, apply to the Finance and Investment Division.)

JAPAN

(On November 25, one yen = \$0.3058.)

Accounts Bureau Approves Draft Budget (Trade Commissioner Paul P. Steintorf, Tokyo, 10/30/33).

The first draft of the budget for the coming fiscal year has been approved by the Accounts Bureau of the Department of Finance. This is a preliminary draft, and it must be approved by the various departments and also submitted to the Cabinet on November 7. According to this draft the budget is placed at 2,050,000,000 yen. Nominally, this is a decline of 259,000,000 yen in comparison with the present year's budget. However, the "special account" for the Department of Communications, totaling approximately 170,000,000 yen, has been separated from the general account, so that the actual difference is only 89,000,000 yen. The totals show general receipts of 1,260,000,000 yen; revenue from bonds, 760,000,000 yen; and a so-called surplus, carried over from the present year, of 29,000,000 yen. The general expenditure total is placed at 1,420,000,000 yen, while the disbursements for new projects is 630,000,000 yen. This latter figure represent a reduction of over 50 percent from the total asked by the various departments, the largest reduction being in the appropriations for the Departments of the Army and the Navy. In view of the inflexible attitude of the military authorities and the claims of other departments for renewed appropriations, there appears to be every reason to believe that the final budget will be at least 2,400,000,000 yen, and perhaps considerably more. Since there will be no substantial increase in taxes, this means that bond issues during the coming period will probably be in excess of 1,000,000,000 yen.

Wakatsuki Opposed Balancing Budget (The Trans-Pacific, 10/19/33).

Opposition to a Government policy of balancing the budget by the issuance of new loans was expressed on October 10 by Baron Reijiro Wakatsuki, President of the Minseito and a former Premier, in the course of a press interview. He indicates that, in his opinion, a policy of increased taxation would be much more suitable.

The Baron also touched on disarmament, hazarding the observation that the United States could hardly be criticized for its naval program, as the program fell entirely within the scope of the London Treaty. He intimated that, his name having been frequently mentioned in connection with the disarmament treaty, he would issue a statement regarding his part in the agreement in the near future.

Government Bonds to be Issued May Bear Higher Interest (Trade Commissioner P. P. Steintorf, Tokyo, 10/24/33).

Money has been tight this past week. The principal reasons appear to have been the shortage of funds as a result of sales of Government bonds by the Bank of Japan to private banks, and the heavy flotation of commercial and industrial bond debentures for refunding 2425.

purposes. It will be recalled that during September the Government issued 300,000,000 yen of bonds. A further issue of approximately the same amount is scheduled for the near future, probably early in November, in order to complete the loans for this year's national budget. It appears probable that money will be tight during the remainder of this year. It is possible also that the Government will find it difficult to float future loans at par, with an interest coupon of 4 percent. In other words, the net yield will probably have to be raised somewhat in order to make these bonds attractive to investors. Current market quotations already indicate this to some extent, since the recent 4 percent is now quoted at 98.50 yen, against the par of 100 yen.

Finance Minister's Speech of November 22.

The following is a cabled summary of the Finance Minister's speech delivered at the Annual Convention of the Bankers Association of Kwansai Region, held in Osaka on November 22, 1933, as received from the Financial Commission of the Imperial Japanese Government in New York:

"Owing to the unusual delay in completing the preparation of the budget for the coming fiscal year, I am unable to make any comment on such budget today, which has been customary for a Minister of Finance to make on this occasion every year. I am, however, happy to express my belief that our economic conditions have shown distinct signs of recovery as the result of the untiring efforts of both the Government and the people and that consequently considerable increase in the amount of Government revenue can be expected in the next fiscal year. In view of this situation, I believe that in a few years we shall see the Government revenue raised to the level of that for the fiscal year 1928-29 or 1929-30.

"The various measures of the Government for lowering money rates and the progress of the Government emergency relief works are gradually bearing their fruits. New issues of bonds are the most active of recent years. The amounts of the aggregate bank deposits, bills cleared at clearing houses throughout the country, and new capital issues have decidedly increased. The absorptive power of the market of Government bonds is satisfactory. Those phenomena are particularly gratifying at the present time, when the world in general is suffering from dullness in the new capital market.

"Our foreign trade, especially export, of this year has been as favorable as last year, and the year will be ended, I expect, with just as satisfactory a balance of trade as last year, if not more satisfactory. But, as the present situation of international trade is very complicated and delicate, the business men engaged in this line should exercise much wisdom and prudence in order to preserve this present situation. The exchange control law has been working quite effectively.

"It is most regrettable that the London Economic Conference designed for the recovery from the world-wide depression has not been successful. The present trend of world economic conditions is quite contrary to our cherished ideals of the freedom of trade. I expect everyone to understand the real situation and act discreetly according to circumstances.

"It is impossible to foresee the outcome of the recent gold-purchase policy of the United States; but if the operation in the world market is done on a considerably larger scale without any agreement with Great Britain and France its effect will be very grave, and we, therefore, are keeping our watchful eyes on its developments."

Bank Deposits Declined in August (Commercial Attache Frank S. Williams, Tokyo, 10/10/33).

According to the Minister of Finance, deposits in all banks in Japan proper, Formosa, and Saghalien, at the end of August amounted to 11,557,040,000 yen - a decline from July, but quite a gain over August 1932. Outstanding loans on August 31 totaled 10,455,692 yen - a drop from July and also from August 1932. Securities held continue to increase, totaling 5,720,247,000 yen. The increase over July was rather small, owing to a slackening of demand. Cash on hand at the end of August totaled 768,402,000 yen - a drop from the previous month, but a gain over August 1932. Of the 300,000,000 yen worth of 4 percent Government bonds recently issued to the Bank of Japan, 65,000,000 yen remained unsold. This amount will be retained by the Bank for the time being, pending an improvement of the money market.

Banking Control; Unauthorized Money Concerns to be Eliminated (Japan Weekly Chronicle, 10/19/33).

(Personal-loan banking, which has been popular with small borrowers in this country in recent years, is likely to undergo Government scrutiny.) The Banking Bureau of the Finance Department now plans to suspend transactions which in its opinion conflict with the existing banking regulations.

In view of the frequent failure of mujin (mutual loan) companies and the increase of unauthorized banking organizations in recent years, the Banking Bureau has been conducting extensive investigations into the conditions of banking organizations for persons of small means. It has now found out that many companies which have engaged in "Morris" plan banking are acting in contravention of the banking law or the savings-bank law. Subject to the approval of the departmental council, therefore, the Banking Bureau is resolved to suspend such transactions.

Considering the fact that the transactions to which the Government officials object are those that especially attract clients, their suspension will deal a serious blow to these companies. The Banking Bureau pleads that it does not mean to bring any pressure on those engaged in "people's banking." As the Government wishes to institute a special law for the small-loan business in the near future, existing concerns will be told to open up their fields in accordance with the new regulation, they add.

Taiwan Power Company to Build Aluminum Plant (Japan Weekly Chronicle, 10/19/33).

The Taiwan Power Company is to complete its Jitsugetsutan Hydraulic Power Station, 100,000 kilowatts in capacity, some time in June next year. The management is called on to seek consumers for this power in Taiwan. According to the Asahi, the company has now hit upon a plan to establish a company for the manufacture of aluminum. This company is to have an authorized capital of 10,000,000 yen, a quarter paid up to begin with. It will have its factory in the western part of the island. Ores will be imported from Oceania. Power consumption of the factory will be 30,000 kilowatts.

Money Market Tightens (Commercial Attache Frank S. Williams, Tokyo, 10/10/33).

The recent tightening of the money market in Japan, credited to open market operations by the Bank of Japan, has tended to check the flotation of bank and corporations debentures, which has been proceeding at a very rapid pace during the last several months. Bonds and debentures issued during September totaled 552,005,000 yen - an increase of 216,448,000 yen over August and 463,137,000 yen over September 1932. The total amount issued for the first nine months of 1933 was 2,447,686,000 yen - an increase of 131 percent over the corresponding period of 1932. Investments in business promotion and expansion during September both registered increases over August, and the total for the first nine months showed heavy gains over the corresponding period of 1932.

The Japanese Gold Market (Commercial Attache Frank S. Williams, Tokyo, 10/10/33).

Considerable agitation for a change in the Government's gold policy is now evident both in official and business circles. Since the lifting of the gold embargo in the United States by President Roosevelt on August 28 for newly mined gold, the world market price has greatly advanced but the price paid by the Japanese Government to local producers and bullion dealers has remained the same as fixed in April 1933, i.e., 8.80 yen per momme (8.29 momme equals one ounce) or 73.4376 yen per ounce. The world market price on October 5 was the equivalent of 13.695 yen per momme. Gold producers in Japan have requested the Ministry of Finance to raise its purchase price to a level approaching the world market price. Not receiving any satisfactory reply to their request, the producers have refused, since September, to deliver gold to the Bank of Japan for the Government's account. To date there is a deadlock, as no definite decision has yet been reached by the Government. Some Government officials advocate the cessation of gold shipments to cover foreign payments. It is understood that the Minister of Finance favors this step, and that he has instigated an investigation of the gold buying policy of his Ministry. Two measures were suggested at the last meeting of the Diet: (1) The creation of a special account to handle gold holdings, and (2) the designation of the Bank of Japan as holder on condition that the Government will indemnify any loss which may have to be approved by the Diet. Others advocate the establishment of a free gold market. Gold production by Japanese mining companies has increased considerably since the Government began buying gold at the current price. Total output of the six largest mining companies from July 1, 1932, to June 30, 1933, amounted to 3,724 kwan and 668 momme. The output for the year July 1, 1933, to June 30, 1934, is estimated at about 700 kwan more than that for the previous year. The open market price in Japan is now about 11.20 yen per momme, but local consumption is comparatively small.

PERSIA

(The rial has a par value of approximately \$0.2433.)

Biweekly Report of Rate of Foreign Exchange (Minister Charles E. Hart, Teheran, 10/21/33).

During the last two weeks the relative quiet and stagnation of the local exchange market, reported as having characterized the preceding fortnight, has continued. Banks' selling rates for the dollar were on the first day of the period 16, and on the last 16.35, thus reflecting, to a limited degree, the dollar's improvement on the London and Paris markets. The reason for this restricted improvement is to be found in the fact that, during the same period, local quotations for the pound sterling fell from 76.25 to 74.60 and for the French franc from 97 to 93.25.

TURKEY

(One Turkish pound = 12.06 French francs or on November 25 = \$0.7445.)

Results for the Financial Year 1932-33 (Monthly Circular, Ottoman Bank, Sept.-Oct. 1933).

The provisional results for the fiscal year 1932-33, as published by the Treasury, are as follows:

(1) Receipts:

	<u>Turkish pounds</u>
Receipts.....	186,111,643
Including an amount of.....	11,270,392
(in respect of encashments effected in 1926, 1927, and 1929, carried forward to receipts in 1932-1933)	

After deduction of this amount, the yield	<u>Turkish pounds</u>
of receipts was.....	174,841,251
against budget estimates of.....	<u>169,354,800</u>

i.e., an excess of.....	5,486,451
-------------------------	-----------

Receipts in 1931-32 amounted to.....	165,227,843
--------------------------------------	-------------

Thus, the increase for the past year	
amounts to.....	9,613,408

The excess of receipts over the budgetary estimates is due to the section "Extraordinary Receipts" which, estimated at 450,000 Turkish pounds, has produced 5,508,060 Turkish pounds. Details have not yet been published. The excess over receipts for the year 1931-32 is caused by new fiscal charges imposed since the beginning of the year 1932-33. The results indicate the prudence with which the Commission had estimated the probable receipts, as we mentioned in our study of the budget for the year in question.

(2) Expenditure:

	<u>Turkish pounds</u>
Expenditure during the same period amounted	
to.....	170,005,080
Estimates were.....	<u>169,146,747</u>

Thus, there was an increase of.....	858,333
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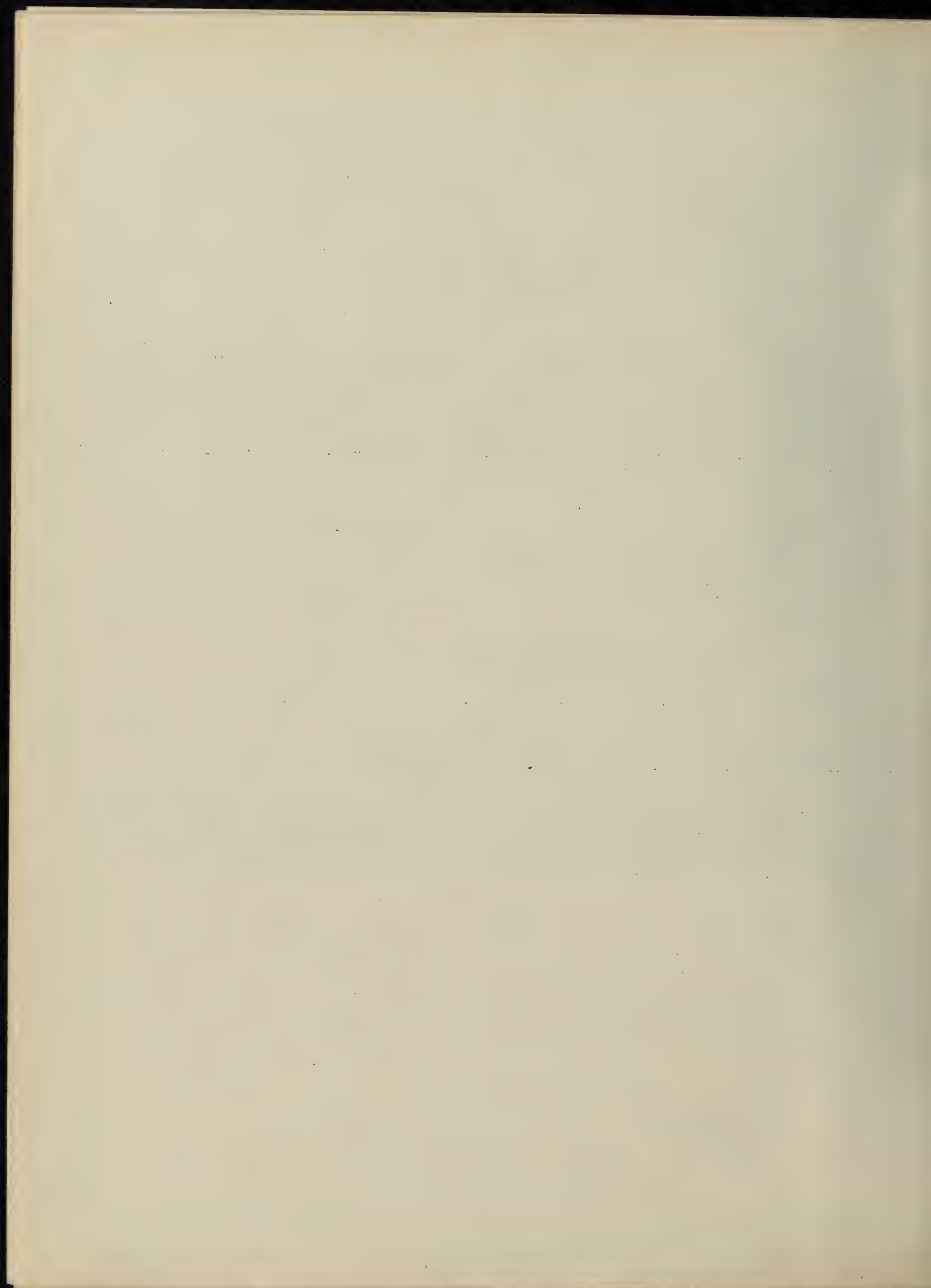
This increase, however, was largely covered by the augmented receipts.

TURKEY

Ottoman Public Debt (Monthly Circular, Ottoman Bank, Sept.-Oct. 1933.)

The Monthly Circular of the Ottoman Bank containing two notices published by the Council of the Repartitioned Public Debt of the former Ottoman Empire, one relating to the settlement of the share of the Levant States, the other to the coming into force of the Agreement of April 22, 1933, is on file in the Finance and Investment Division.

Gorsvenor M. Jones, Chief,
Finance and Investment Division.



DEPARTMENT OF COMMERCE

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AUSTRALIA

(On December 11 one pound = \$4.0725.)

Australian Commonwealth Budget, 1933-34 (Consul Albert M. Doyle, Sydney, 10/24/33.)

The budget for 1933-34 presented by the Commonwealth Treasurer on October 4, 1933, has been generally recognized as reflecting definite improvement in general conditions. The budget provides for revenue of £68,580,000 and expenditure of £69,756,490. The deficit of £1,176,490 will be met from the accumulated surplus of the preceding 2 fiscal years, amounting to £4,860,699, although the accumulated deficits of the Commonwealth Government now amount to £17,216,340. It was decided to budget for deficits for both 1933-34 and 1934-35, the total of which will equal the surplus of £4,860,999 accumulated in 1931-32 and 1932-33. Reductions in taxation, both direct and indirect, amount to £7,490,000 at the annual rate, or £5,440,000 for the last three quarters of the current financial year during which the reductions will be in effect. Reductions in taxation will give relief to almost every section of the community. They affect import duties, primage, sales tax, income tax, special property tax, company tax rates, and land taxes. Increases in expenditure were made in pensions, defense, and in public-service salaries, by the removal of part of the financial emergency reductions. In addition, assistance was granted to the primary industries to be devoted to the assistance of apple and pear growers engaged in the export trade, and to assist the tobacco-growing industry.....

The removal of reductions in public-service salaries will entail additional expenditure of £80,000 a year. Assistance will be given to the primary industries - £125,000 to aid apple and pear growers engaged in exporting, and £20,000 for investigation and instruction purposes in regard to tobacco growing. Increased provision for defense amount to £1,462,000, the principal items being:

Naval construction, including the building of a sloop (which it was hoped would be built in Australia).....	£280,000
Improvement of coast defenses.....	150,000
Provision of seaplanes and land aircraft.....	438,000
Development of the munitions factories.....	171,000

In addition to the increase in expenditure from revenue for new public works, it was proposed to expend £810,000 on works from loan funds, the chief items being: Defense, £420,000; submarine telephone to Tasmania, £180,000; and Canberra development, £200,000. Most of this expenditure will provide additional work and afford some relief to unemployment.

(The report, which may be borrowed, contains tables of revenue and expenditures for 1931-32 (actual), 1932-33 (estimates and actual), and 1933-34 (estimated).

Australian Government Finances on September 30, 1933 (Trade Commissioner E. C. Squire, Sydney, 10/24/33.)

The budgets of the Commonwealth and States Governments as a group show a deficit of £157,000 for September, as compared with one of £634,000 for August.

New South Wales had a deficit of £1,792,000 in August, but a surplus of £417,000 in September. Victoria, which had a surplus of £64,000 in August, reported a deficit of £63,000 in September. The Queensland deficit in September was £538,000 more than in August, but that of Western Australia was £186,000 less. Tasmania showed a small surplus in September.

Government	Surplus (+) or deficit (-) September	Surplus (+) or deficit (-) July-Sept.
	£	£
Commonwealth.....	+ 298,000	+ 2,838,000
Victoria.....	- 63,000	- 1,015,000
New South Wales.....	+ 417,000	- 1,498,000
Queensland.....	- 612,000	- 634,000
South Australia.....	- 185,000	- 696,000
West Australia.....	- 15,000	- 506,000
Tasmania.....	+ 3,000	- 246,000
Net deficit.....	- 157,000	- 1,757,000

Commonwealth Finance Statements*

A copy has been received of the Commonwealth Gazette of November 2, 1933, containing statement of receipts and expenditure for the 3 months ended September 30, 1933, and receipts and expenditure of the Commonwealth of Australia, consolidated revenue fund.

Commonwealth Relief Act (Trade Commissioner E. C. Squire, Sydney, 11/3/33.)

Details are available concerning the Commonwealth Relief Act, 1933. The sales-tax provisions of this act became operative on October 26; the other provisions, on October 27. The act incorporates all the special budget proposals except those relating to income tax rates, which were made the subject of a separate measure. It is divided into 10 parts, namely: preliminary, land tax, income tax, sales tax, entertainments tax, invalid and old-age pensions, war pensions, salaries and wages, pensions of officers, and general.

Land Tax. - Last year there was a reduction of land tax by 33 1/3 percent. This act provides for a reduction of 50 percent instead of 33 1/3 and will apply to the assessments for 1933-34.

Income tax. - The chief alterations in respect of income tax relate to life-insurance companies and oversea shipping.

Sales tax. - The rate of the sales tax has been reduce from 6 percent to 5 percent, and additional exemptions have been granted.

Invalid and old-age pensions. - The effect of the new act is to increase practically all invalid and old-age pensions that were previously less than 17s. 6d., by 2s. 6d. a week, subject to a "maximum" of 17s. 6d. per week. About 100,000 pensioners will thus receive an increase, which in most cases will be the full 2s. 6d.

The act also provides for salary and wage restorations to public servants. The increases in ministerial salaries and parliamentary allowances go into effect this month.

Reports on Finances of Tasmania and Victoria* (Consul John W. Dye, Melbourne, 11/6 and 11/- 10/33.)

The following reports have been redeived from Consul Dye:

No. 5108, dated November 6, 1933, "Victorian Finances for the First Quarter of the 1934 Fiscal Year."

No. 5107, dated November 10, 1933, "Tasmania Revenue Account for the First Four Months of the Fiscal Year 1933-34."

New South Wales Legislation* (Trade Commissioner E. C. Squire, Sydney, 11/6/33.)

The new South Wales Parliament has passed various laws relating to taxation. These laws include Special Income and Wages Tax (Management) Act, 1933, dealing with reduced taxation; Stamp Duties (Amendment) Act; 1933, providing for extensive remissions and reduction in stamp duties; and the Taxation Reduction Act, 1933, giving effect to the Government's policy of reduced taxation.

Money Lenders Act Amendment Act of 1933 (Consul A. R. Preston, Brisbane, 10/17/33.)

A bill passed by the Queensland Parliament during the week ended October 14, 1933, is entitled "Money Lenders Act Amendment Act of 1933." This Act extends the scope of the term "money lender" by making it applicable to those who lend at rates as low as 8 percent per month.

Hire-purchase agreements are also brought within the scope of this statute. The jurisdiction of the Magistrate's Court has been increased up to £2,500 in respect of money-lending proceedings. Power is given to prescribe the maximum rate of interest, and the interest is calculable on a monthly basis. A rebate in interest is to be allowed when an advance from the money lender is redeemed before the due date. Procuration fees of money lenders are abolished, but certain costs, such as those for preparation of documents, valuation fees, and usual out-of-pocket expenses, are permissible. The court is empowered on application to review money-lending and hire-purchase transactions, even if the interest charged may be below the prescribed maximum rates. Annual registration of money lenders is provided for, and the fees payable for registration are to be prescribed by regulation.

CHINA

(On December 11, one yuan = \$0.3347.)

Chinese Revenues Less, but Obligations Increase (Finance and Commerce, 11/1/33.)

Last year the customs revenue was approximately 290,000,000 yuan. For the fiscal year ended last June, loan obligations amounting to nearly 225,000,000 yuan were met. For the current fiscal year (1933-34) these obligations, without taking into consideration interest on the recent loans and bank advances, were estimated to amount to over 240,000,000 yuan. In spite of increased tariffs, the customs revenue for the year now drawing to its close will almost certainly be less than in 1932. Practically the whole of it, therefore, will be swallowed up in loan payments.

This position does not provide any particular ground for optimism regarding the future, but at the same time it is not one which gives cause for immediate alarm. What has happened is that, owing to causes over which the former Finance Minister had no control, the Government's prospects, as far as financial rehabilitation is concerned, have been put back a couple of years. There is no greater crisis now than there was then, when revenue amounted to about 500,000,000 yuan, and, in addition, over 200,000,000 yuan was raised through loans. During the fiscal year just ended there was no borrowing of any description, and a steady improvement in credit was the result. But this progress, unfortunately, could not be maintained, and Mr. Soong's disappointment at the wrecking of his hopes in this direction has found expression in his resignation. That the confidence of the public has not been seriously undermined is shown by the comparative strength of the domestic bond market. There was only a slight fall in price when the impending change in the Ministry was first made public, and there is little reason to fear any serious relapse now.

Regulations Governing New Treasury Bond Issue (Chinese Economic Bulletin, 10/14/33.)

At the 128th meeting of the Executive Yuan a proposal to issue 100,000,000 yuan in Treasury bonds was discussed and approved, and was sanctioned by the Central Political Council on October 3. In proposing the issue, Mr. T. V. Seong, Minister of Finance, pointed out that during the past critical months, when the Government was hard pressed for military funds in the north, money was advanced by Chinese banks to enable the administration to meet the situation. The proposed bond issue would be used as security for the loans which the banks had recently made to the Government. For the time being it was suggested that the banks should not circulate these bonds, in order to prevent a drop in the price of other bonds. (There follows a free and unofficial translation of the draft regulations, which were forwarded to the Legislative Yuan for enactment.)

Mr. Soong's Resignation and the American Loan (Finance and Commerce, 11/1/33.)

The fate of the American loan under the changed conditions (brought about by Minister Soong's resignation) becomes the subject of interesting speculation. The loan has not proved very popular either in Government or commercial circles, and there are many who are of the opinion that it is definitely disadvantageous to China. Whether Dr. Kung shares these views we do not know, and as the details of the loan agreement have not been made public it is impossible to say whether it is subject to cancellation, but it, as is generally surmised, the loan merely establishes a credit in America for \$50,000,000 against shipments of cotton and wheat, there is a possibility that no further call will be made upon it, or alternatively, an arrangement for the barter of Chinese products may take its place. The latter proposal, which has recently been advocated, would undoubtedly cause considerable satisfaction to Chinese traders if it could be brought into operation, and, as a happy development of the

original scheme, would probably meet with Mr. Soong's warm approval. So far, only about 12,000 bales of cotton have been purchased under the loan agreement, and no steps have been taken regarding the shipment of wheat.

Magazine Thinks Soong May Eventually Resume Finance Portfolio (Finance and Commerce, 11/1/33.)

The regret occasioned in all foreign business circles by the retirement of Mr. T. V. Soong from the position of Minister of Finance is tempered, to some extent, by the belief that the retirement will not be of long duration and that, in the meantime, Mr. Soong will continue his association with the Government as a member of the Standing Committee of the National Economic Council.

Many reports have been circulated regarding the causes which led Mr. Soong to take his present step. Some of them refer to differences of opinion in the Cabinet upon questions of general policy, such as the attitude to be adopted by China toward Japan in the settlement of outstanding disputes, while others attribute the Finance Minister's resignation solely to his disapproval of, and his refusal to meet, the heavy demands constantly being made upon the revenue for military expenditures. These, however, are purely matters of conjecture, and little is to be gained by any attempt to decide which played the more prominent part in influencing the Minister's decision.

There has been no officially declared change, so far, in China's foreign policy, while as regards the financial situation, although the hopes of improvement raised at the beginning of the year have not been realized and events have shown that the references to a balanced budget, made by Mr. Soong in Washington a few months ago, were altogether too optimistic, there is little evidence that the country is facing anything in the nature of a financial crisis. Funds may be low, and apparently they are entirely inadequate to meet the thousand and one demands made upon them, but that is a position to which the Finance Minister must have grown accustomed. If, therefore, Mr. Soong's resignation was dictated solely by reasons of finance, there are grounds for hoping that, having registered his protest against excess expenditure and possibly obtained the promise of further attempts at retrenchment, he may be willing to take office again. During the interval, while his successor and brother-in-law, Dr. H. H. Kung, has charge of the Finance Department, it is trusted that no drastic change in the sound and conservative policy followed by Mr. Soong will be attempted.

When budget estimates were in course of preparation it was definitely agreed that expenditure for military purposes should not exceed \$18,000,000 a month. It was probably on this basis, and after leaving out of account the loans which did not come directly under the care of the Finance Ministry, that Mr. Soong declared that revenue and expenditure would balance. But the unanticipated troubles in the north and the demands of the long-drawn-out campaign against the Communists must have meant a military expenditure far in excess of the stipulated sum.

Coupled with this increased expenditure, there has been a decrease in revenue, owing to the depressed condition of trade, so that in place of equilibrium in the country's finances there is an admitted deficit now of \$10,000,000 a month. The stringency is being temporarily overcome with the assistance of the banks and by the flotation of loans, but as Mr. Soong has more than once warned the Government, this policy of meeting current expenses, with its inevitable increase in fixed interest charges, merely establishes a vicious circle and, if continued, can only end in disaster. Under present conditions additional taxation is impossible and, therefore, the problem facing Dr. Kung must be, in its essentials, similar to the one with which his predecessor has grappled for so long. His success or failure will depend upon whether he can make the military authorities recognize that the need for re-

trenchment is paramount and transcends in importance even the necessity of continued operations against the Communists. After all, little will be gained by suppressing communist activities for a while, if the Government has to bankrupt itself in the process and thus throw open the door to probably further and greater disorders.

Government Attitude toward China's Debts (Japan Weekly Chronicle, 11/2/33.)

Foreign Minister Hirota appears to have decided to approach the Chinese Government in connection with the settlement of old loans exceeding 600,000,000 yen. According to the Mainichi, he has already promised Japanese creditors to take immediate action in the matter, and though the Chinese Government, pursuant to the recent decision at the Lushan Conference, approached the Japanese Government with overtures to restore friendly relations, the proposal has been only informal and is none too satisfactory. The Japanese Government wishes to see Chinese faith actually expressed in terms of reality and translated into action, and the present loan matter is the best means of testing the Chinese sincerity. The Foreign Office will therefore take suitable measures, as quickly as possible, to reopen negotiations with the Chinese Government.

In view of the above assurance to the Japanese financiers, it is expected that the Foreign Minister will shortly instruct either Mr. Ariyoshi, the Minister to China, or Mr. Hidaka, Consul-General in Nanking, to take up the question with the Chinese Government. The attitude of the Chinese Government is being watched with much interest.

Hunan Provincial Loan* (Commercial Attache Julian Arnold, Shanghai, 11/9/33.)

A set of general principles governing the flotation of the proposed Hunan Provincial Reconstruction Loan of \$10,000,000 was adopted at the October 18 meeting of the Central Political Council.

Loans in China: Discussion of Plans for their Recovery (Japan Weekly Chronicle, 11/2/33.)

Japanese banks and business houses which have outstanding in China loans exceeding 600,000,000 yen are to take some measures to secure their claims. They will shortly discuss the matter with the Foreign Office.

At a conference held on November 15, 1930, the Nanking Government decided to repay its oversea loans amounting to 1,700,000,000 yuan with customs and other revenues, but owing to subsequent issues of domestic loans for over 1,200,000,000 yuan, the scheme was rendered difficult of realization. The Government has again floated 100,000,000 yuan on the security of customs revenue. According to the Japanese press, the resources reserved for redemption of foreign loans are to be used by war cliques for their own internal struggles.

Greatly concerned with the situation, the Chinese Loan Syndicate, embracing 21 Japanese banks and business houses, held a committee meeting on October 26. * * * * * It was then stated that, though Japanese financiers have claims of over 600,000,000 yen, they have not received even their interest. The committee considered it necessary to take some measures to secure Japan's claim, and it will approach the Foreign Office in this connection.

Bank Loans and Deposits in Dairen during September 1933 (Consul J. C. Vincent, Dairen, 11/1/33.)

According to the monthly report of the Dairen Chamber of Commerce, bank loans and deposits in Dairen during September were as follows: Deposits in gold yen, 147,234,565; deposits in silver yen, 26,092,671; loans in gold yen, 116,982,628; loans in silver yen, 3033

5,070,857. Total deposits during September were 6,171,650 gold yen less than in August but 42,809,258 yen greater than in September 1932. Deposits were 63,511,565 yen greater than in August 1931, when Japan was on the gold standard. Total deposits in silver yen were 4,772,-421 yen greater than in August but 27,985,640 yen less than in September 1932. Silver yen deposits, however, were greater by 4,903,671 yen than in August 1931.

Total loans in gold yen during September were 3,433,360 yen less than in August but 4,033,185 yen greater than in September 1932, and 29,772,628 greater than in August 1931. Total loans in silver yen were 674,242 yen less than in August, 987,789 yen less than in September 1932, and 2,518,143 yen less than in August 1931.

Manchuria Banking Law in Effect (Consul General Edwin S. Cunningham, Shanghai, 12/9/33.)

The new banking law has been put into effect in Manchuria.

Emigrant Remittances Decline (Consul General Edwin S. Cunningham, Shanghai, 12/9/33.)

South China suffers badly from heavily decreased remittances from oversea Chinese. Formerly these constituted an important element in the economic prosperity of this region.

Securities Market in Shanghai Reflects Fukien Trouble (Consul General Edwin S. Cunningham, Shanghai, 12/2/33.)

The Shanghai stock and bond market is depressed by the Fukien political trouble.

EGYPT

(One Egyptian pound = 102 1/2 times pound sterling, or on Dec. 11 = \$5.2455.)

Greek Consular Court Rules on Gold Clause in Local Egyptian Contract (Consul H. Earle Russell, Alexandria, 10/18/33.)

In a case involving two Greek citizens, the commercial section of the Consular Court of Greece at Alexandria has ruled that paper money has the value of gold throughout Egypt, in accordance with a Khedivial Decree of 1914.

Savings Deposits in Postal and Other Banks in Egypt as of August 31, 1933 and 1932 (Commercial Attache Charles E. Dickerson, Jr., Cairo, 10/28/33.)

Savings deposits in postal and other banks increased greatly during the year ended August 31, as shown in the following table:

Item	August 31 -	
	1932	1933
	(Egyptian pounds)	
Postal savings banks.....	2,787,862	3,795,530
Other savings banks.....	2,038,729	2,380,231
	4,826,591	6,175,761

HONG KONG

(On December 11 one Hong Kong dollar = \$0.3716)

Hong Kong Colonial Budget for 1934 (Consul Douglas Jenkins, Hong Kong, 10/13/33.)

The budget for 1934 was introduced at the meeting of the Legislative Council on September 28, 1933. This budget is of particular interest to Hong Kong in that it provides for no additional taxation, promises a number of interesting public works, and shows a considerable reduction in the military defense contributions.

Proposed expenditures for 1934 exceed the estimated revenue by \$1,711,000. This deficit will reduce the Colony's (accumulated) surplus of assets over liabilities, from an estimated \$13,309,801 at the end of 1933 to \$11,598,731 at the end of 1934. Unless the deficit proves to be much greater than is expected, no additional taxation is contemplated.

Revenues in 1933 have been considerably below the original estimate. The business depression is almost entirely responsible for the reduction, income from all items having been reduced, with the exception of returns from the Kowloon-Canton Railway, which increased considerably. Income on a few items collectible in sterling has been reduced because of the exchange rate, but this has been more than offset in sterling expenditures.

Expenditures during 1933 have been much below the estimates. Actual expenditures totaled \$32,564,261, against an estimate of \$35,199,247. The estimate of 1934 expenditures is \$33,442,695. The 1933 savings have been due partially to economies effected in various branches of the Government, but largely to the exchange rate between sterling and the Hong Kong dollar. The 1933 estimates were prepared on a basis of 1s. 2d. to the dollar, whereas the average rate of exchange, 1s. 4d., resulted in a saving of twopence on the dollar on sterling commitments amounting to £700,000. Actual savings on the exchange totaled \$1,400,000.

JAPAN

(On December 11 one yen = \$0.3086)

Japanese Budget Figures Issued by Financial Commission.

The Financial Commission of the Imperial Japanese Government in New York City, announces receipt of a cablegram from the Department of Finance relative to the budget figures for the fiscal year 1934-35, as passed by the Cabinet, meeting on December 2, 1933. These are as follows:

Revenues	
	Yen
Ordinary.....	1,248,000,000
Extraordinary (1).....	863,000,000
Total.....	2,111,000,000
Expenditures	
Ordinary.....	1,247,000,000
Extraordinary.....	864,000,000
Total.....	2,111,000,000
(1) Of this amount: Proceeds of public loans: -	785,000,000

Japan's Note Issue (Minister Joseph C. Grew, Tokyo, 11/27/33.)

The Bank of Japan note issue increased approximately 50,000,000 yen during the past week.

Treasury Bonds Redeemed (Minister Joseph C. Grew, Tokyo, 11/27/33.)

The Government has announced the redemption of 60,000,000 yen of No. 27 Treasury bonds maturing November 24.

New Specie Policy Contemplated (Commercial Attache Frank S. Williams, Tokyo, 11/6/33.)

Press reports indicate that the Japanese Government is contemplating introducing a bill at the next meeting of the Diet providing for radical changes in its present specie policy, as a result of the following observations:

1. Recovery of the yen to parity is hardly possible under prevailing foreign exchange conditions.
2. It is only a question of time when the United States devaluates the dollar.
3. That Great Britain has abandoned hope of the return to old gold parity has been clearly evidenced in recent policies regarding the exchange rate of sterling.
4. It is considered urgent to establish a new specie policy, in view of the critical condition in international relations.

Reduction in Trust Companies Interest Rates (Japan Weekly Chronicle, 11/2/33.)

The Yasuda Trust Company is to pay a dividend of 4.7 percent against money in trust for the term ending November, a reduction of 0.3 percent from that for the last period. Final decision will be made at its directors' meeting on November 13. Other leading companies are expected to follow suit. It is generally believed that the above action will not affect the "cash trust" business. The average yield for national bonds is 4.2 to 4.3 percent, while large commercial banks pay only 3.7 percent interest on fixed deposits.

Cable Regarding Change in Government Price for Gold (Minister Joseph C. Grew, Tokyo, 11/27/33)

The Government's purchase price for gold was raised on November 24 from 8.88 yen per momme to 9.64, with the adoption of the yen-sterling rate of exchange as the basis instead of the yen-dollar rate formerly used. The revision of the price every two weeks is contemplated. The open-market price of gold is equivalent to 11.60 yen per momme. Financial circles are unaffected by this change.

MACAO

(The monetary unit is the pataca, divided into 100 avos. The pataca is silver and has no fixed par value in terms of gold.)

Bank Runs in Macao (Consul General Edwin S. Cunningham, Shanghai, 12/2/33.)

The Consul General at Hong Kong reports that two small Chinese banks in Macao have closed their doors. Larger Macao banks also suffered runs, but appear able to meet their obligations. The banking situation in Hong Kong has improved. Larger Chinese banks have met all demands and have retored confidence.

NETHERLAND EAST INDIES
(On December 11 one florin = \$0.6331)

Annual Report of Java Bank* (Trade Commissioner Charles E. Brookhart, Batavia, 10/30/33.)

The Finance and Investment Division has received a copy of the latest Annual Report of the Java Bank, in English. The Java Bank reports total earnings of almost 3,500,000 florins in the last fiscal year, as compared with slightly more than 5,300,000 in the preceding year. There was a drop of more than 350,000 florins in normal expenditure.

NEW ZEALAND
(On December 11 one New Zealand pound = \$4.0850)

Government Able to Defeat Bill to "Free" the Exchange Rate (Consul General Calvin M. Hitch, Wellington, 10/30/33.)

An unexpected development occurred in the House of Representatives on September 28, when the Member for Wellington suburbs, who recently bolted the Coalition, offered the following resolution.

Believing that the manipulation of the exchange is inimical to the public interests, this House desires a return to a free exchange uncontrolled by the Government and without compensation to the banks.

The resolution appears to have been a complete surprise to the Government and brought the exchange issue prominently before the House of Representatives, with the prospect of a division in which it was believed that the Government would have few votes to spare. No action, however, was taken on the resolution until October 4, when by a margin of 13 votes, the Government was able to defeat Mr. Wright's resolution.

During the progress of the debate on the resolution, the Prime Minister reiterated his former statement that the Government had no intention at the present time of lowering the rate of exchange.

Introduction of Reserve Bank Bill Stimulates Discussion (Consul Calvin M. Hitch, Wellington, 10/30/33.)

The Reserve Bank Bill was introduced and read for the first time in the House of Representatives on October 16. Various changes are made in the proposed capitalization and in the provisions relative to loans to the Government. Recent revisions in the bill strengthen the Government's position in the proposed bank. One interesting amendment in favor of the Government is the provision that any profits derived from taking over the gold reserves of the trading banks are to be credited to the public account. Originally it was provided that the profits should either be credited to the trading banks, or be apportioned between them and the reserve fund of the Reserve Bank in a manner to be agreed upon. Any dispute was to be settled by a tribunal presided over by the Chief Justice. Now the profits are to be appropriated by the Government.

It has also been hinted that the bank may have to take over from the Government the surplus London credits accumulated under the exchange policy. The important place the Government will eventually have in the bank's affairs is in contrast to Sir Otto Niemeyer's statement that "In the first place the bank must be entirely free from the actual fact and the fear of political influence. If that cannot be secured it will do more harm than good." In any

case, it is well to remember that if Government influence in the bank is not regarded as sufficient, it can be changed at any time by appropriate legislation.

In defense of the proposal that the Government shall take over the gold held by the trading banks the Minister of Finance has declared:

"Any profit that may be obtained from the sale of our gold reserves arise not out of banking, but firstly out of Great Britain going off the gold standard, and secondly out of the depreciation of New Zealand currency in terms of sterling, both as matters of monetary policy. The premium on gold in comparison with the mint par value is the measure of the depreciation in the value of the notes. This depreciation has been at the expense of the people and not at the expense of the banks. It follows that any profit on gold reserves arising out of Government action should accrue to the State representing the people as a whole.

This position is contested by the trading banks based upon an opinion rendered by Sir Francis Bell, who was once Attorney General and is at present a member of the Legislative Council. In this opinion Sir Francis said:

"I have been asked to advise whether there is any possible doubt that the gold coin and bullion held by the New Zealand banks is the private property of those banks. My answer is that both in law and in fact the gold is the absolute property of the banks, and that the State has not and never has had any right or title to any part of it."

If the present attitudes of the Government and the banks are maintained and the bill is passed in its present form, the controversy will doubtless find its way into the courts for final adjudications.

The New Zealand press is very critical of the present bill. It fears political control of the central bank and objects to the removal of the provision that the new bank shall have a monopoly of the note issue as was provided in last year's bill.

"A New Zealand Gold Blunder" (The London Economist, 11/18/33.)

A serious controversy between the Government and the commercial banks has arisen over a certain section of the New Zealand Reserve Bank bill. Not content with transferring to the Reserve Bank the note issues of the commercial banks, this section empowers the Reserve Bank to purchase compulsorily the banks' gold stocks, the gold to be paid for in New Zealand currency at par. As the New Zealand pound is now worth only about 53 percent of its gold par value, the banks are deprived of the profit they could have earned from the sale of their gold at its full market price, and it is small consolation that any profits accruing in this way are to go to the Government and not to the Reserve Bank. The case for this procedure is that the gold has not been written up in value, and that in so far as it has been held by the banks as legal backing to their note issues, it is quite fair to transfer both the notes and the gold behind them to the Reserve Bank at their par value. This line of argument may be legitimate regarding the minimum of gold cover of 33 1/3 percent which the banks have had to hold behind their notes, but it is hardly applicable to the banks excess gold reserves. Even if part of this original gold was acquired when the New Zealand pound was still at parity, its subsequent appreciation constituted a valuable hidden reserve for the banks, and may have affected their visible reserve allocations and general policy. In the case of gold bought and paid for at the market prices obtaining since the depreciation of the New Zealand pound, there is not the smallest justification of this confiscatory proposal. To the outsider this line of thought suggests a reasonable compromise. Such gold as forms the legal

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minimum backing to the note issue could equitably be taken over at its par value, for both the gold and notes have since the depreciation of the pound been valued at the banks conventionally at par. If, however, it is thought desirable to extend these powers of compulsory purchase to the Banks' excess gold reserve, then the full market price should be paid. The banks are already sacrificing income through the surrender of their note issues, and the Government would be very ill-advised to impose upon them a further loss, especially of so inequitable a character.

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

Bonded Indebtedness of the Philippine Islands (Trade Commissioner E. D. Hester, Manila, 11/6/33.)

The total bonded indebtedness of the Philippines at the end of 1932 was 173,087,000 pesos. The debt of the Insular Government proper amounted to 131,600,000 pesos, against which there was a sinking fund of 52,115,464. Bonds for port works at Cebu and Iloilo, the Metropolitan Water District, the City of Manila, and the provincial and municipal governments of the archipelago were outstanding in the amount of 41,487,000 pesos, against which there was a sinking fund of 10,934,145.

Sinking funds totaled 63,049,608 pesos on December 31, 1932. Deducting this from the total indebtedness of 173,087,000, the net bonded indebtedness then was 110,037,391 pesos. With an estimated population of 13,500,000, the net per capita indebtedness of the Philippines was 8.15 pesos.

Of the 63,049,609 pesos held as sinking funds on December 31, 1932, 43,840,000 was invested in Insular Government bonds; 1,774,000 in port works securities, 1,170,000 in Metropolitan Water District bonds; 7,072,000 in City of Manila bonds; 50,000 in the U. S. Liberty bonds; 41,523 in Manila Railroad bonds; 328,000 in Philippine Railway Company bonds; and 114,950 in Bank of the Philippine Islands shares.

UNION OF SOVIET SOCIALIST REPUBLICS

(The monetary unit is the chervonets, equivalent to 10 rubles. The chervonets has a par value of approximately \$5.1457.)

Notice of Change in Interest Rates on Current Accounts in the State Bank of the U. S. S. R. (Charge d'Affaires ad interim Felix Cole, Riga, 11/11/33.)

By a ruling of the State Bank of the U.S.S.R., interest on foreign currency accounts in this bank will be credited at the following rates, effective January 1, 1934: 4 percent on drawing accounts; 5 percent on savings accounts if funds are deposited for a minimum stipulated period of six months; and 6 percent on savings accounts if funds are deposited for a minimum stipulated period of one year. Savings accounts accepted for 7 and 8 percent prior to this ruling will not be affected by the change for the period stipulated when such account was opened.

British Credits to Russia - Reduction in Outstanding Liabilities (Trade Commissioner J. Somerville, Jr. London, 11/28/33.)

The Minister for Overseas Trade, answering a question in regard to the present outstanding liabilities of the Export Credits Guarantee Department on trade with Russia, made the following statement in the House of Commons yesterday, as reported in The Times: "In deference to the wishes of the Department's Advisory Committee, it is not customary to state the

amount of liability outstanding under the Export Credits Guarantee Scheme in respect of any particular country or individual. But as neither they nor I wish to withhold information that can properly be given, I may say that up to the end of October the Department had assumed in the aggregate a liability of £12,500,000 in respect of exports to Russia, of which £7,250,000 had then run off. The balance comprised bills of exchange maturing at various dates up to April 1935."

The amount of outstanding liability of the Export Credits Guarantee Department is thus approximately £5,250,000, with 18 months as the maximum period covered. Since the reserves which the Department has been accumulating against Russian business probably now amount to more than £1,500,000, the outstanding risk on Russian business is, therefore, now reduced to under £4,000,000, as against about £6,000,000 a year ago. Our report of March 13, 1933, stated that reserves of nearly one million pounds had been accumulated through March 31, 1932. As liabilities assumed by the Department have been averaging about 70 percent of the value of contracts insured, it would appear that the total amount of Russian credits now insured for the 18 months beginning November 1 is about £7,500,000. This compares with a figure of £10,000,000 current during most of 1932.

During recent years also the value of Russian trade contracts insured through the Export Credits Department has averaged around 75 percent of the total value of exports of British manufactured goods to Russia. On this basis the total outstanding British credits to Russia, both guaranteed and unguaranteed, would not now exceed £10,000,000 as against £12,500,000 to £13,000,000 a year ago. It may be, however, that the proportion of Government guaranteed credits has decreased somewhat, owing to the negligible amount of guarantees given during the period of the embargo difficulties from April to August of this year.

STRAITS SETTLEMENTS

(On December 11 one Singapore dollar = \$0.6006.)

Budget of the Municipality of Singapore for 1934*

The Bureau has received report No. 179974 from Acting Trade Commissioner Carl H. Boehringer, dated October 19, 1933, on the above subject.

Blackett Inquiry into Straits Currency (Acting Trade Commissioner Carl H. Boehringer, Singapore, 10/11/33.)

Recently Sir Basil Blackett was appointed to inquire and report whether, and if so, to what extent and under what conditions, the Malay States, Federated and Unfederated, should participate in the profits and liabilities of the Currency Commission of the Straits Settlements. In this connection the following item appeared in the Singapore Free Press for October 10, 1933.

In view of the inquiry that is to be conducted by Sir Basil Blackett into the Straits Settlements currency, the following details extracted from the official report submitted to the Council may be of general interest:

"During March and April 1933, the Currency Commissioners sold sterling remittances to the extent of £205,000. There was no demand for currency throughout the period under review. At the end of July the note circulation amounted to nearly S\$67,000,000, or a little more than one and a half times the value of the notes in circulation immediately before the Great War.

"Since the conclusion of the war, the fluctuation of the note circulation have been extraordinary, in view of the fact that periods of great inflation and of great deflation have been encountered In order to ascertain the surplus of the Currency Commissioners it is necessary to value the silver held locally at bullion value and also to make provision for meeting the difference between the face value of silver coin, current and subsidiary, in circulation."

TURKEY

(One Turkish pound = 12.06 French francs, or on Dec. 11 = \$0.7430.)

Denunciation of the Turkish-Spanish Compensation and Clearing Agreement (Commercial Attache
Julian E. Gillespie, Istanbul, 11/4/33.)

The Spanish-Turkish compensation and clearing agreement which was concluded in October 1932 was denounced by the Spanish Government on November 2.

Grosvenor M. Jones, Chief,
Finance and Investment Division.

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DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

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New Circular on Foreign Exchange Restrictions.

The Finance and Investment Division announces the release on December 15, 1933, of Special Circular No. 395 entitled "Exchange Restriction in Foreign Countries." This covers all countries having exchange restrictions, except those in Latin America, which will be the subject of a later circular. The present circular has been mailed to all subscribers to Foreign Financial News.

Silver Publications: There are still available some reprints of Trade Promotion Series No. 149, The Monetary Use of Silver in 1933 (published in 1933), and Trade Promotion Series No. 139, The Silver Market (published in December 1932). These bulletins are obtainable at 10 cents each from the Superintendent of Documents, Government Printing Office, Washington, D.C., or from any of this Bureau's district offices.

NOTICE REGARDING RENEWAL OF SUBSCRIPTION.

In order to receive FOREIGN FINANCIAL NOTES without interruption, renewal notices should be attended to promptly. The names of all persons who have failed to send in their renewals, due at this time, have been removed from the mailing list after this issue.

AUSTRALIA

(On December 26 one Australian pound = \$4.1167)

New South Wales State Finances, July-October 1933*

The Finance and Investment Division has received from Consul Albert M. Doyle, Sydney, a report on the above subject, dated November 13.

Satisfactory Results of Loan Announced (Trade Commissioner E. C. Squire, Sydney, 11/18/33.)

The recent internal £10,000,000 loan which closed on November 17 (two days after the books were opened) is said to have been the most satisfactory since the war-loan period. For instance, subscriptions were at the rate of £5,000,000 a day, as compared with £1,000,000 a day for the loan of last May.

Aside from the growth in confidence in Government finances, probably one of the most important reasons for the loan's success was that there has been a great amount of money

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available in Australia for investment, and at the present time opportunities for investment are very limited. There is still much hesitancy, however, with regard to investments in mortgages.

BRITISH INDIA

(On December 26 one rupee = \$0.3865)

Reserve Bank of India and Other Banks (Financial News, Bombay, 11/11/33.)

At the present rate of progress, the reserve bank bill is expected to become an act before the end of the calendar year, and perhaps from the beginning of April the reserve bank will actually begin to function. When the reserve bank begins its operations, a set of new conditions will come into being and the money market will have to get itself adjusted to the changed circumstances.

Reserve Bank Bill Report Submitted (Trade Commissioner George C. Howard, Calcutta, 11/22/33.)

The joint committee which has been studying the matter of the establishment of a reserve bank for India has signed its report. The principal features are a strong recommendation for the establishment of the reserve bank with all possible speed and for a provision requiring the previous approval of the legislature of any increase in the share capital, and the assertion of the principle that equal privileges as to participation in the bank should not be given to citizens of dominions which discriminate against India.

Certain minutes of dissent and a minority report have been submitted in which exception is taken to some of the principles outlined in the joint committee's report, but no effective opposition to the plan as outlined in the majority report is anticipated and the subject will probably be taken up in the assembly a few days prior to the drawing up of a bill.

No Alteration in Rupee Ratio (Trade Commissioner George C. Howard, Calcutta, 11/22/33.)

The Joint Select Committee which has been studying the reserve bank bill has decided to make no alteration in the rupee-sterling exchange ratio. Agitation has been coming from a number of sources in India for a 1s. 4d. rupee instead of the 1s. 6d. as at present. The Government of India is against any change and it is not considered likely any further serious consideration will be given the matter until such time as the reserve bank has been well established and is in a position to make its own decision.

Gold Shipment from London to India; Gold Flow from Interior India Slows Down (Financial News, Bombay, 11/11/33.)

For the first time after more than two years, a shipment of gold to India of the value of £91,000 from London was reported during the week ended October 27. This was obviously due to the fact that one time the price of gold in Bombay was above import parity with London. Although the amount involved in this shipment is small, it is no doubt significant that a changed situation has come about. After a continuous drain of about 1,500,000,000 rupees worth of gold from the country, it is after two years now beginning to be felt that India may not be able to ship any more gold at the present price. In fact, arrivals of gold into Bombay from the districts have considerably diminished recently, and perhaps this will lead to a gradual stoppage of gold exports from this country. Probably as a sequence of this, the rupee-sterling exchange is very quiet with sellers at 1/5-15/16d. The American dollar, which is now quoted at 270 rupees (per \$100) in Bombay, is comparatively cheaper than the

rupee. In fact, of all currencies that got themselves delinked from gold the rupee is the most overvalued. The depreciation of sterling, dollar, and yen is greater than that of the rupee, and the result is that our commodity prices are lower than in those countries. If our price level is to come up to the parity of those countries the rupee should undergo further depreciation without any delay.

Gold Increases, Silver Declines, in Currency Reserve (Vice Consuls Donald Robinson and H. Russell Engdahl, Calcutta, 11/16/33.)

Currency in circulation increased during October by 3,357,071 rupees to a total of 1,800,435,401 rupees. In the metallic reserve, silver coin decreased 2,813,315 rupees to a total of 943,286,832 rupees, silver bullion decreased by 2,533,994 rupees to a total of 99,085,187 rupees, while gold bullion increased by 1,853,333 rupees to a total of 296,979,991 rupees.

Indian Gold Movements in Recent Months (Vice Consuls Donald H. Robinson and H. Russell Engdahl, Calcutta, 11/16/33.)

The movements, for private account, of treasure, including currency notes, showed a net export of 56,800,000 rupees during September 1933, as against 44,300,000 rupees in August, and 65,100,000 rupees in September 1932. The following table shows the imports and exports of gold and silver during the six months April to September 1933, and a comparison with the corresponding period of the previous year:

Item	Six Months, April-September		Increase (+) or decrease (-) in 1933 as compared with 1932
	1932 (Rupees)	1933 (Rupees)	
Gold imported....	6,000,000	5,500,000	+ 500,000
Gold exported....	296,600,000	281,600,000	-15,000,000
Silver imported	12,200,000	2,800,000	- 9,400,000
Silver exported	4,700,000	4,300,000	- 400,000

Conjectures as to Future Gold Exports from India (Vice Consuls Donald H. Robinson and H. Russell Engdahl, Calcutta, 11/16/33.)

During the past month the price of gold declined from 33 rupees 1 anna per tola to 32 rupees 7 annas, according to Vice Consuls Donald Robinson and H. Russell Engdahl of Calcutta. The volume of gold exports has also declined. The opinion seems to be widely held that the end of heavy exports is approaching. It should be remembered, however, that gold exports have tapered off several times during the past two years, and later increased. It is considered possible that the average weekly exports of gold will fall below 5,000,000 rupees. This opinion is based on the fact that the gold held by persons who have suffered severely during the present depression has been heavily drawn upon.

There are conflicting opinions as to the primary cause of the large exports of gold. Many believe that holders have sold gold to get the premium thereon, while others maintain that the real object was to obtain funds for living expenses. Although the premium on gold has undoubtedly been an important inducement, it is also true that a great deal of the gold exported has been sold because of necessity.

A decline in the exports of gold to less than 4,000,000 rupees a week would probably necessitate a change in the Government's financial policy, which has been based in part on the high level of gold exports. In order to take care of her remittances, India should have an annual merchandise surplus of at least 600,000,000 rupees, but during the last year this surplus amounted to only about 30,000,000 rupees, exports of gold making up the difference. It is true that the merchandise surplus will be much larger this year, but if there should be a pronounced and continued fall in the exports of gold, the financial position would become serious. However, as stated above, many of these who believe that exports of gold are due to fall to lower levels admit that there is no definite factor which points to such a course, as this view is largely based on sentiment and instinct. It is true, nevertheless, that it is impossible for gold exports to continue indefinitely at the high level of the past two years.

CEYLON

(The monetary unit is the British Indian rupee; on Dec. 26 = \$0.3865)

Alleged Embargo Against Sending Currency or Coins of Ceylon Through the Mails (Consul Robert L. Buell, Colombo, 10/27/33.)

The Colombo Consulate has investigated a rumor that there is an embargo against sending the currency and coins of Ceylon through the mails. It has been ascertained that there is no such restriction.

CHINA

(On December 26 one yuan = \$0.3388)

Analysis of the Accounts of the Principal Chinese Banks, 1932 (Commercial Attache Julean Arnold, Shanghai, 11/21/33.)

The Finance and Investment Division has a copy of the Bank of China's "Analysis of the Accounts of the Principal Chinese Banks, 1932," as compiled and published by the Banks research department.

More Requests for "Loan" Money (Finance and Commerce, 11/15/33.)

Two more petitions, both asking for a share of the funds from the proceeds of the American Cotton and Wheat Loan, have been referred to the National Economic Council by the Executive Yuan. One is from the Kwangsi Provincial Government, stating that the money will be utilized for the building of highways and the rehabilitation of rural villages. The other is from the Kweichow Provincial Government which seeks 5,000,000 yuan for the establishment of farm banks, for road construction, development of mines, and opening of spinning and weaving factories.

Import Duties on Foreign Wheat and the American Loan (Finance and Commerce, 11/22/33.)

At a meeting of the Legislative Yuan last week it was definitely decided to impose import duties on foreign wheat and flour, with the object, presumably, of helping the distressed agricultural community. Details were not settled but it is understood that the maximum duty on foreign wheat is to be 1.25 Customs Gold Unit per picul and on foreign flour 2.5 Customs Gold Units per picul.

In the case of the proposed taxes on foreign wheat and flour, for example, the results are likely to be far from beneficial. It is now the end of the season, and as the farmers

have already sold their wheat, they will derive no advantage from the increased prices. The mills are certainly not satisfied, and it is understood that they have already held a meeting and decided to buy no more Government wheat until the situation is clarified. They have so far bought 60,000 tons, and against this have sold flour under contract at a fixed price. If, on account of the duties, they are called upon to pay more for the American wheat than was anticipated, they will suffer substantial loss.

Many mills hold the opinion that the proposed new duties merely represent an attempt by the Government to recoup themselves for the loss which they will inevitably suffer from the purchase of the American loan wheat. The wheat purchased from America under Government auspices on credit terms does not carry with it the full export bounty which America is now granting to private shippers. There was no suggestion of an export bounty when the loan agreement was made. It is not retroactive and America probably considers that she is treating China generously in allowing her to participate in the bounty to the extent she is doing. Locally, however, the matter is not viewed in this light, and the situation is regarded as unpromising. The general view is that the prospect of wheat being imported by the Government under the loan agreement depressed the native market. We have previously pointed out in Finance and Commerce that there was absolutely no reason, from a statistical point of view, why the importation of 300,000 tons of wheat on Government account should have this effect, but the fact remains that prices fell in China when they were rising in every other country of the world, and it is difficult to convince dealers that this was not directly due to the influence of the loan.....As we have said, a resolution has been taken not to buy more Government wheat, and there is even talk in some quarters of closing the mills. Such a position cannot be regarded as a particularly happy development of a "business deal" which a few months ago was proclaimed as a triumph for China. Obtaining a loan of \$50,000,000 appears to have been a particularly easy task compared with purchasing goods with the proceeds and selling them at a profit.

Peking Syndicate to Receive Repayment of Loan (Finance and Commerce, 11/22/33.)

It is understood, says the Kuo Min news agency, that the Taokow-Chinghua Railway Administration has addressed a communication to the Peking Syndicate notifying that it is now able to resume payment of its loan obligations. Payment of principal and interest on the loan extended by the Peking Syndicate had been suspended since 1926.

New Mint Bars to Represent 1,000 Yuan (Finance and Commerce, 11/15/33.)

Progress has been maintained by the Central Mint, which during October produced 3,-950,000 yuan. Besides, the mint turned out 850 mint bars of 1,000 yuan value (0.999 fine).

Since its opening in March this year the Central Mint has produced 2,260,000 silver yuan of the old design (since discarded) and 17,460,000 yuan of the current design, also 1,450 mint bars worth 1,450,000 yuan. These bars weighed 23.51696 kilograms, or 756.0894 troy ounces.

It has now been decided shortly to issue a second kind of mint bar. This is to be silver, 0.880 fine, and will weigh 26.6971 kilograms, or 23.493448 kilograms of fine silver. The purpose of this second kind of mint bar is to facilitate clearings between banks, each bar representing exactly 1,000 yuan. The law provides that these bars are to be used by banks exclusively and the banks are not permitted to issue them to the public. The new bar will bear inscriptions in Chinese, only.

Conversion of Tael Capital (Finance and Commerce, 11/22/33.)

Since the tael was abolished in April of this year the problem of converting share and bond principal into dollar equivalents has been awaiting attention and solution. The Shanghai Cotton Manufacturing Co., Ltd. is the first concern proposing to change its shares from taels into yuan.

Currency Reform in Canton (Finance and Commerce, 11/15/33.)

As anticipated, Kwangtung Province is contemplating the adoption of the "big" Chinese silver yuan in place of its own issues of subsidiary silver currency. The Canton authorities recently ordered the use of the national currency in business transactions. This step is held necessary for the unification of the country's currency system and for the elimination of domestic exchange problems.

It is proposed that the Kwangtung Provincial Bank call in its subsidiary currency notes now in circulation and replace them by notes calling for national yuan. The (Kwangtung) Government mint is to issue only national currency silver coins. The subsidiary coins now in use in the south are to be stabilized at a ratio of 1.30 yuan "small money" to 1 yuan "big money." Salaries of Government officials are to be fixed in terms of the new national yuan. While the proposal to unify the currency system of China is to be welcomed, a vigorous protest ought to be lodged with the Cantonese authorities in connection with the latter's attempt to coin new yuan pieces. The erection of the Shanghai mint, at a cost of 6,000,000 yuan, had for its main object the elimination of all provincial mints and the prevention of various minting plant's carrying on for their own account. There is no reason whatsoever why Canton should mint yuan at a time when there are in this country 2,000,000,000 yuan coins, 90 percent of which are Republican issues.

Japanese Bank Notes May be Withdrawn from Manchuria (Japan Weekly Chronicle, 10/26/33.)

The Department of Finance is expected to draw up a plan for control of currencies in Japan and Manchuria. In Manchuria standardization of the currency is considered necessary immediately. The question of the disposal of the Bank of Chosen and the Yokohama Specie Bank notes now in circulation in that country has arisen.

The Specie Bank's notes aided considerably in maintaining the credit of Manchurian currency in the transitional stage. The role which they have played in the past cannot be ignored. But, from the point of view of control, it is not advisable to have two different currencies in circulation in Manchuria.

The withdrawal of the Bank of Chosen's notes must also be studied carefully, as its effect on the money market in that country will be great. It is necessary to solve the question before it becomes difficult to convert gold and silver currencies through increased circulation of Manchurian currency.

Simultaneously with the above work by the Finance Department, the Japan-Manchuria Monetary Committee, embracing high officials of all departments concerned, will study the problem.

Manchurian Money to be Current in Kwantung (Japan Weekly Chronicle, 11/9/33.)

An agreement has been reached legalizing the circulation of the notes of the Central Bank of Manchuria in Kwantung Leased Territory. The notes of the Yokohama Specie Bank are 3660

to be taken out of circulation there. It has been further agreed that the Central Bank of Manchuria should indemnify the Yokohama Specie Bank for the suspension of the circulation of its notes. For carrying out this policy a good deal of preparatory work is required, and it will be some time, therefore, before the arrangement is put into effect.

Terms of Settlement of Government Debts in Manchuria (Japan Weekly Chronicle, 11/9/33.)

Regarding money owing to people of various nationalities who supplied goods to the Government of Marshal Chang Hsueh-liang, the Hsinking regime has made the following announcement:

"When the State of Manchukuo came into being, the new government discovered that considerable indebtedness had been incurred through purchases of goods on credit and through other transactions, and left unpaid by the old Manchurian regime. The total of such outstanding obligations, comprising some 1,100 separate items, exceeded 12,000,000 Manchukuo yuan,^{1/} the creditors including nationals of Japan, Great Britain, the United States, Germany, France, Austria, Norway, the Netherlands, Czechoslovakia, Sweden, etc., as well as Chinese and Manchurians.

"Manchukuo created a special Liquidation Commission to look into the matter and find a way of liquidating those claims. After careful examination a plan for settlement was drawn up along the following lines, according to an official announcement issued on December 14, 1932.

"1. Of the claims, amounting to 7,110,000 yuan, based on sales contracts concluded after 1930, and for which goods had been duly delivered, 2,500,000 yuan to be paid in cash during the fiscal year 1932, and 1,500,000 yuan, also in cash, during 1933; to all the creditors in equitable proportions; the remainder to be paid in 3-percent government bonds redeemable in 20 years.

"2. The claims totaling 5,000,000 yuan, based on contracts prior to and including 1929, to be paid in similar government bonds, after careful examination of individual cases and proper determination of the sums of liabilities or damages.

"It should be noted that the above scheme of liquidation accords absolutely equal treatment to all creditors, both domestic and foreign, exemplifying Manchukuo's fair and honest policy. The accompanying table shows the payments as authorized by the Liquidation Commission to the various creditors. Cash payments have been mostly completed. An ordinance and regulations for the issuance of the Liquidation Bonds to the amount not exceeding 6,000,000 yuan have been promulgated.

"These bonds, bearing 3 percent interest and to be redeemed by June 1953, will be issued in denominations of 50, 100, 500, 1,000, 5,000, and 10,000, and are to be delivered to the creditors shortly. Incidentally, this will be the first issuance of domestic bonds by the Government of Manchukuo."

^{1/} (Note: In the foregoing quoted statement of the Hsinking regime the word yen is used instead of yuan, but in making the quotation, yen has been changed to read yuan because the context seems to warrant that change.)

Total claims		Cash paid 1932 and 1933 (55 percent)	To be paid in bonds (45 percent)
		<u>JAPAN</u>	
Yen	17,338	9,536	8,702
Manchukuo yuan	1,046,662	575,664	470,998
		<u>GREAT BRITAIN</u>	
Yen	1,900	1,045	855
Manchukuo yuan	292,543	160,898	131,645
Gold dollars	3,034	1,668	1,366
Pounds ster.	1,527	839	688
		<u>UNITED STATES</u>	
Yen	2,900	1,595	1,305
Manchukuo yuan	44,162	24,289	19,873
Gold dollars	1,410	775	635
		<u>GERMANY</u>	
Yen	1,978	1,087	891
Manchukuo yuan	461,871	254,029	207,842
Gold dollars	3,340	1,837	1,503
Pounds ster.	12	6	6
		<u>DENMARK</u>	
Manchukuo yuan	3,877	2,132	1,745
Gold dollars	495	272	223
		<u>MANCHUKUO AND CHINA</u>	
Yen	26,611	14,636	11,975
Manchukuo yuan	1,857,931	1,021,367	835,664
		<u>TOTALS</u>	
Yen	50,727	27,899	23,728
Manchukuo yuan	3,706,146	2,038,379	1,667,767
Gold dollars	8,279	4,552	3,727
Pounds ster.	1,539	845	694

French Investment in Manchuria (Rengo to Japan Weekly Chronicle, Dairen, 10/21/33.)

The details of the agreement for the establishment of the Franco-Manchurian Investment Syndicate are reported as follows:

1. The syndicate is to be capitalized at 100,000 yen and the number of officials is to be 12, both of which are to be allotted equally to the French Association for Economic Expansion and the South Manchuria Railway.

2. All French investment in Manchuria is to be handled by the syndicate, which will capitalize various construction works, commercial and banking enterprises.

It has transpired that the delay caused in the negotiations for the French Manchurian investment was due to the fact that Mr. Andre d'Olivier demanded in the course of the conversations the recognition by the Manchurian authorities of French priority in the matter of investment to all other nations. This was found diametrically opposed to the principle of equal opportunity and the open door so often reiterated by Manchuria. The demand was therefore declined and Mr. d'Olivier withdrew it. The only problem that remains is of a technical character.

EGYPT

(One Egyptian pound = $102\frac{1}{2}$ times £ or on Dec. 26 = \$5.2753)

The Debt Coupon Case (Commercial Attache Charles E. Dickerson, Jr., Cairo, 11/13/33.)

The case brought against the Egyptian Government in the Mixed Courts for judgment as to whether public debt coupons should be paid in gold or paper comes before the Mixed Court of Appeal on November 16. If the judgment of the Court of first instance is upheld, it is believed certain by some persons that the Egyptian Government will refuse to be bound by this judgment. An awkward situation in respect to the capitulatory system will thus be created. The local British press adds that such unpleasantness could be avoided if French creditors could be persuaded to accept payment in sterling.

Text of Local Consular Court Decision Upon Gold Value of Bank Notes of National Bank of Egypt*.

The Bureau of Foreign and Domestic Commerce has received from American Consul H. Earle Russell, of Alexandria, under date of November 8, 1933, Report No. 5408 on the above subject.

JAPAN

(On December 26 one yen = \$0.3089)

Budget Approved by Cabinet With Slight Changes (Minister Joseph C. Grew, Tokyo, 12/4/33.)

On December 2 the Cabinet finally approved the national budget, which it increased 94,000,000 yen over the original draft budget. The settlement averted collapse of the Cabinet and greatly relieved tension in financial circles.

Budget Well Received (Commercial Attache Frank S. Williams, Tokyo, 11/27/33.)

In financial circles approval has been expressed concerning the draft budget, particularly in view of the provisions made for the issuance of only 701,000,000 yen of Government bonds.

Funded and Unfunded Debts Nearly 8,000,000,000 Yen (Trans-Pacific, 11/16/33.)

Outstanding funded borrowings of the Japanese Government at the end of October were 7,407,895,000 yen, according to the Ministry of Finance. In addition, there were short-term debts consisting of 160,000,000 yen of Treasury notes and 296,881,000 yen of rice notes. This makes a total of 7,864,776,000 yen. After the end of the year 300,000,000 yen more bonds will be floated.

Osaka Conversion Operation Successful (Japan Weekly Chronicle, 11/9/33.)

The Osaka Municipality has converted its 6 percent loan, amounting to 65,000,000 yen, into a new issue bearing $4\frac{1}{2}$ percent interest and repayable in 18 years.

Banking Statistics for October Reviewed (Commercial Attache Frank S. Williams, Tokyo, 11/-20/33.)

Bank deposits held by all banks associated with clearing houses in Japan at the end of October amounted to 6,404,381,000 yen -- an increase of 131,621,000 during the month. Outstanding loans were 5,148,493,000 yen -- an increase of 52,193,000. These figures indicate that the downward trend, evident in both deposits and loans since last July, has been stopped. Call loans totaled 449,563,000 yen -- an increase of 89,946,000 since September. Cash holdings amounted to 443,850,000 yen -- an increase of 57,648,000. Security holdings totaled 3,531,735,000 yen, a decline of 78,216,000, which is attributed to the redemption of debentures.

A Banking Dilemma (Japan Weekly Chronicle, 11/16/33.)

The Department of Finance, which has been endeavoring to put all provincial banks on a sound footing by a process of amalgamation or cutting of capital, is now confronted with a legislative puzzle. Unless this is solved, it is said, the authorities will be unable to continue their program for the adjustment of several banks. According to the new banking law, all commercial banks must have an authorized capital of at least 1,000,000 yen, except in districts where the population is below 10,000. All banks in Tokyo and Osaka must have a minimum capital of 2,000,000 yen.

When, as a result of the readjustment, these banks reduce their capital, it may fall below the above legislative limit. In order to meet the requirements, it will then be necessary to increase their capital. But it is questioned whether the two steps can be arranged at one meeting of shareholders. The finance authorities are now in negotiation with the Department of Justice as to the solution of this puzzle. From a practical point of view, they wish to recognize the above procedure.

New Coins to Appear Soon (Japan Weekly Chronicle, 10/26/33.)

New coins of 10 sen and 5 sen are to appear forthwith. The Bank of Japan has distributed 600,000 yen in new coins to its branches throughout the country.

Japanese Securities Outstanding (Commercial Attache Frank S. Williams, Tokyo, 10/20/33.)

The value of all securities outstanding in Japan on November 1 was 31,896,000,000 yen, of which common stocks accounted for 16,524,000,000 yen, and bonds and debentures 15,342,000,000 yen. These figures represented an increase since October 1 of 512,000,000 yen and, of 8,171,000,000 yen since November 1, 1931, but a decline of 4,586,000,000 yen as compared with July 1, 1928. Of the above totals for bonds and debentures, 12,680,000,000 yen were domestic securities, and 2,662,000,000 yen foreign securities. Domestic securities were further classified as follows: 6,079,000,000 yen in national bonds, 1,879,000,000 yen in provincial bonds, and 4,722,000,000 yen in corporation and bank debentures.

Prices Increase Two Percent in October (Minister Joseph C. Grew, Tokyo, 12/4/33.)

The average wholesale price index for October showed an increase of 2 percent over September, and 11.3 percent over October 1932.

New Decision on Gold is Announced (Minister Joseph C. Grew, Tokyo, 12/4/33.)

The Government is reported to have purchased 500 kwan of gold in the first five days following announcement of the revised price. It is also understood the policy has been

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adopted to retail in Japan all gold purchased by the Government. (One kwan = 10.04711 pounds Troy.)

Tokyo Stock Exchange Plans Reform (Japan Weekly Chronicle, 11/16/33.)

The management of the Tokyo Stock Exchange has at last completed the work of drawing up its reform plan, and has submitted it to the Department of Commerce and Industry. Whether this plan is accepted or not, all the leading directors will be forced to resign, holding themselves responsible for the present plight of the exchange, it is predicted. The feature of the reform plan is the establishment of a 3,000,000-yen company to take over loans made by the exchange to the authorized brokers.The shares of the new company will be employed for the readjustment of the loans. When the readjustment is completed, the company will be absorbed by the exchange, whose capital will then become 49,000,000 yen.

The attitude of the Commerce Department toward the above scheme will be observed with much interest. At present, some officials are stoutly opposed to the plan, while others are inclined to approve it. Those who are reluctant to approve the scheme argue that the proposed adjustment company would be tantamount to an increase of capital and that it is improper for the exchange, a monopoly, to effect such increase. It is generally believed that, when a formal application is received from the exchange, the whole matter will be laid before Baron Nakashima, the Commerce Minister, for final decision. It is also believed that various responsible directors will resign.

KWANTUNG LEASED TERRITORY

(The monetary unit is the Japanese yen; on Dec. 26 = \$0.3089)

Foreign Exchange Control Law for the Kwantung Leased Territory.*

The Finance and Investment Division has a copy of a report from Vice Consul John Carter Vincent, Dairen, dated October 31, 1933, on the above subject. This report includes the Foreign Exchange Control Law for the Kwantung Leased Territory and the South Manchuria Railway Zone and the detailed regulations supplementing the law, as translated from Kwantung Government Orders No. 44 and No. 45, respectively.

PHILIPPINE ISLANDS

(One peso = approximately \$0.50)

November Revenues Higher Than Expected (Trade Commissioner E. D. Hester, Manila, 12/20/33.)

In November, government revenues were slightly in excess of estimates and disbursements less than budgetted. However, Manila internal revenue was 4 percent under that of November 1932.

The United Stock Exchange, Manila (Trade Commissioner E. D. Hester, 11/15/33.)

A third stock-exchange organization has announced the commencement of operations in the city of Manila, under the above name. The headquarters will be at Room 229, Crystal Arcade, Escolta, Manila.

SYRIA

(One Syrian pound = 20 French francs; on Dec. 26 = \$1.2368

State Budgets Announced (Vice Consul Daniel Gaudin, Jr., Beirut, 11/23/33.)

The 1934 (calendar year) budgets of the several states under French Mandate have been announced, as follows:

Receipts and Expenditures
(In Syrian pounds)

	1934	1933
Syria.....	8,464,687	7,636,755
Alexandretta	900,600	.....
Djebel Druze	304,495	.....
Latakia.....	1,271,000	.....
Lebanon.....	4,113,500	4,491,000

The respective budgets of the states for 1934 are approximately the same as in 1933. Detailed information will not be available until later.

Grosvenor M. Jones,
Chief, Finance and Investment Division.

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DEPARTMENT OF COMMERCE

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FAR EASTERN FINANCIAL NOTES

* NOTE. - In citing foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions quoted. Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. In requesting such documents, please refer to this issue of F.E.F.N. (No. 150) and cite the page number of the item desired.

Silver Publications: There are still available some reprints of Trade Promotion Series No. 149, The Monetary Use of Silver in 1933 (published in 1933), and Trade Promotion Series No. 139, The Silver Market (published in December 1932). These bulletins are obtainable at 10 cents each from the Superintendent of Documents, Government Printing Office, Washington, D.C., or from any of this Bureau's district offices.

NOTICE REGARDING RENEWAL OF SUBSCRIPTION.

In order to receive FOREIGN FINANCIAL NOTES without interruption, renewal notices should be attended to promptly. The names of all persons who have failed to send in renewals now due, have been removed from the mailing list.

AUSTRALIA

(On January 10, 1934, one pound = \$4.0542)

Conversion Loans Aid Australia (Trade Commissioner E. C. Squire, Sydney, 12/9/33).

The marked improvement in Australian credit abroad has been instanced again by reports regarding the new conversion loan in London. This loan totals 16,647, 00 and has been underwritten on terms even more favorable than the last one. It will be issued at 99, bear interest at 3½ percent, and will mature in 15 years.

Since October 1932 Australia has converted 88,212,000. The saving effected through these conversions now totals to over 2,000,000 Australian pounds. Australia has the option of converting 17,850,000 additional.

on of Australian Exchange Rate Suggested (Trade Commissioner E. C. Squire, Sydney, 12/2/33).

The chairman of Dalgety and Co., the largest Australian trading organization with head offices in London, has urged the desirability of bringing the Australian exchange rate nearer to parity with sterling. This has aroused discussion in Australia, where it is generally believed that, if a change is made, it will be small.

The Australian rate on London has stood at a premium of 25 percent over sterling for more than two years. One of the most important factors in determining the course of exchange is the supply of London funds held by Australian banks. Although such funds are now considerably above the low point of a few years ago, they are decidedly below the average level of such funds before the depression commenced. Between June 1932 and June 1933 London funds of Australian banks declined by approximately £9,000,000, and their funds in New Zealand by approximately £2,500,000. While other Australian assets overseas meanwhile increased, they are not in liquid form and do not greatly influence the exchange market.

Moreover, despite the favorable trade balance during the past year there was an adverse balance of "current items" amounting to £3,790,000. In his budget speech the Federal Prime Minister recently stated that, in view of the fact that various countries were again discussing a return to the gold standard, Australia intended itself to set the ratio of its currency to sterling, and such relationship would take into account the price level in Australia. This statement, some hold, indicates that the Federal Government has in mind a continuation of the present exchange rate without material modification.

Australian Balance of Payments, 1928-29 Through 1932-33* (From Trade Commissioner E. C. Squire, Sydney, Australia, 12/15/33.)

The Finance and Investment Division has received from Trade Commissioner Squire a copy of the Australian balance of payments, 1928-29 to 1932-33, as it is to appear in the forthcoming official yearbook of the Commonwealth.

Improvement of the Australian Trade Balance* (Trade Commissioner E. C. Squire, Sydney, 12/13/33.)

Under the above title the Bureau has received a 9-page report on Australia's progress in emerging from the depression.

Financing the Wheat Grower (Trade Commissioner E. C. Squire, Sydney, 11/27/33.)

Interest has been centered on the Government's policy with regard to the wheat grower. A week ago it appeared that this problem had been settled by a decision to borrow £2,500,000 on Treasury bills, maturing in three years. Now, the Government has apparently decided to make available to wheat growers about £3,000,000 of which £1,600,000 is to be obtained from a sales tax on flour and the remaining £1,400,000 from revenue and "ad hoc" taxation. The £3,000,000 would apparently make available a bounty of 4 shillings an acre to wheat growers, while the tax of flour would mean addition of one penny per two-pound loaf of bread. This increase coming at the same time as proposals dealing with milk, eggs and meat, also possibly butter, would mean a further increase in the cost of living. The proposed flour tax has brought forth much criticism particularly from the industrial states, which is of interest in view of the fact that the agricultural elements have been complaining bitterly for many years that they were being taxed heavily on all their requirements, through the action of the customs tariff levied for the benefit of the industrial sections.

The Adelaide Electric Supply Company Bond Case (Asst. Commercial Attache Charles E. Lyon, London, 12/22/33.)

A recent House of Lords decision enables the above-mentioned concern to service its bonds in Australian pounds, rather than sterling. The bond called for payment in "pounds." While the company had its headquarters in London, it paid English pounds. Subsequently the headquarters were moved to Adelaide and dividend payments were made in Australian pounds. Because of the difference in the gold value of the two currencies, the English holders found

that they obtained less money than they had received before. The House of Lords held that the transfer of headquarters warranted the company in its decision to pay "pounds" as they knew them, i.e., Australian pounds.

Sydney Harbor Trust Improves Earnings (Trade Commissioner E. C. Squire, Sydney, 12/9/33.)

The Sydney Harbor Trust has just released its report for the year ended last June 30. The report indicates that in 1932-33 there was an increase of 24 percent in the volume of imports, while exports were also greater, so that the income of the trust was approximately £48,000 above the previous year.

Major Douglas Visiting Australia (Trade Commissioner E. C. Squire, Sydney, 12/9/33.)

A financial news item of possible importance to Australia is the announcement that Major Douglas, author of the Douglas social credit scheme, will arrive in Australia early in January. Indications are that the State Labor Party in New South Wales favors the Douglas plan. One of the chief policies in Australia is "socialization of credit."

Tax Commission Makes its Report (Trade Commissioner E. C. Squire, Sydney, 12/9/33.)

The Royal Commission appointed by the Commonwealth Government last year to investigate Australia's tax system has just made its report. It is announced in Canberra that early action will be taken by the Commonwealth Government to simplify the present system of taxation, as has been strongly recommended by this commission.

BRITISH INDIA

(On January 10, 1934, one rupee = \$0.3830)

Agricultural Distress Menaces Small Indian Banks (Trade Commissioner George C. Howard, Calcutta, 11/24/33.)

Owing to continued unsatisfactory demand for agricultural products and consequent financial distress among agriculturists in India, small banks, (which in Bengal are called loan offices) find themselves in an unenviable position. They have undergone a steady withdrawal of deposits, while loans are difficult to collect.

In the majority of cases loans made by banks in agricultural districts are secured by real estate. Agricultural real estate can hardly be sold at any price today, and the only help for the situation appears to be a considerable increase in the price of India's agricultural products and a revival of exports. Efforts of the banks to prevent withdrawals and the forbearance of depositors have up to date prevented widespread bank failures.

Indian Paper Would Counteract Dollar's Decline (Financial News, 11/25/33.)

The full effect of dollar depreciation will take some time. The adverse effect will be fully realized when our exports actually shrink and imports increase. It will take a few months for this phenomenon to take place. But this is bound to take place so long as the dollar-rupee exchange remains at about the present level. Irrespective of whether the dollar depreciates further or not, even at the present level, the American currency is an impediment to our export trade and a source of harm to Indian industries.

Therefore, as a means of self-defence, if not anything else, the rupee's value should be brought down sufficiently so that India may withstand foreign competition. This is not only in the interests of India but also of Britain. It might be remembered that Japan by depreciating her currency has captured a portion of British trade in India, especially in textiles. It is very likely that America also may snatch another portion of British trade in India. Therefore, it is in the interest of Britain herself to see that the rupee value is brought down to a level which will eliminate American and Japanese competition in India. The idea of self-preservation prompts us to ask for sufficient rupee depreciation. There is grace and effectiveness in doing a thing promptly. Speaking about the silver agreement on the floor of the Assembly on Tuesday, Sir George Schuster simply expressed the pious hope that the American Government will not put more difficulties in our way of selling our commodities. He did not even give a hint as to how he proposes to meet the American competition brought about by currency depreciation.

Government Suggests A Silver Redemption Reserve (Trade Commissioner George C. Howard Calcutta, 11/27/33).

The Finance Department has prepared a detailed memorandum on the recommendations of the central bank committee relative to the disposal of the silver now in the currency reserve. The memorandum suggests the setting up of a "silver redemption reserve." The recommendations are deemed too detailed for full quotation here. A few excerpts are given below:

The silver which will be retained by Government, whether in rupee coin or bullion, should be regarded as stock purchased by Government from its currency department.....

The proceeds of any sales of silver after the transfer should be credited to a separate fund more or less on the lines of the present Gold Standard Reserve which it is suggested might be called the "Silver Redemption Reserve." This reserve would be invested by Government in its entirety in gold or sterling securities.....

It remains to consider how the funds which would accumulate in the Silver Redemption Reserve should be utilized. The considerations affecting this question have been set out in a paragraph above. Weighing up the various considerations, the Government of India consider that it would be a reasonable arrangement to allow the Silver Redemption Reserve to accumulate until it reached a total of 10 crores. Any further receipts should not be separately invested but should be taken direct into Treasury balances to reduce the outstanding "silver debt" described in paragraph 4, i.e., to be utilized for the reduction of debt either by the redemption of existing debt or the avoidance of new borrowing. A reserve of 10 crores in external assets would allow for a return of 25 crores of rupees of rupees by the bank to Government, that is to say the maximum amount which could be returned in five years. This should be adequate for all practical purposes. (One crore = 10,000,000.)

Bombay Gold Market Watches R.F.C. Prices (Trade Commissioner George C. Howard, Calcutta, 12/14/33).

The Bombay gold market is apparently nervous, owing to the large stocks on hand and the apparent shift in U.S. policy of increasing the R.F.C. gold price in order to depreciate the dollar. The money market is watching the situation very carefully. Gold prices both in Calcutta and in Bombay were easy during the early part of the week, but steadier towards the end. Bombay stocks are still high at about 1,200,000 tolas. (One tola = 3/8 ounce troy.)

CHINA

(On January 10, 1934, one yuan = \$0.3398. The Chinese customs gold unit is equivalent to 40 cents gold; exporters desiring to calculate the paper-dollar value of c.g.u. can do so by (a) dividing the current price of gold per ounce by \$20.67 and (b) multiplying the result by 40 cents.)

To Export Manchurian Gold Deposits (China Monthly Trade Report, 12/1/33.)

The press reports that a national mining law will be promulgated in December which will limit the operation of mines in Manchuria to domestic and Japanese concerns and under which operating, but not prospecting, rights for mining properties in Manchuria will be granted to domestic and Japanese concerns. An officially controlled gold mining company is to be formed in the near future, its capital of 12,000,000 Manchukuo yuan to be subscribed by the South Manchuria Railway Company, the Oriental Development Company, the Manchurian Government and a few others. Permission has been granted the International Silver Kungssu, a Japanese concern, to exploit certain gold properties in Manchuria.

Tientsin Sends Gold to Shanghai (China Monthly Trade Report, 12/1/33.)

Tientsin banks have found themselves, as in the past, with surplus capital and few opportunities for its use in commercial enterprise. Exchange business has been active, the steady decline of the U.S. dollar serving to encourage speculative contracts. Shipments of gold to Shanghai in important quantities were made during November. This movement, together with the seasonal movement of Tientsin cargo to southern ports, has served to increase the value of the Tientsin dollar in terms of Shanghai currency, until the old premium of 6 yuan per thousand had been cut to 80 cents as between Chinese banks. The lowest reported rate on business between foreign banks was 1.20 yuan per thousand.

Silver Stocks at Shanghai are Large (China Monthly Trade Report, 12/1/33.)

Stocks of silver in foreign and Chinese banks in Shanghai continue to mount to unprecedented heights, the yuan equivalent of such stocks of sycee, bar, yuan coins, and mint bars on October 31 being estimated at approximately 507,000,000 compared with 496,500,000 one month ago.

JAPAN

(On January 10, 1934, one yen = \$0.3032)

Departmental Budget Figures Given in Detail (Commercial Attache Frank S. Williams, Tokyo, 12/4/33.)

The budget for 1934-35 as approved by the cabinet amounts to 2,111,537,000 yen, against 2,309,000,000 yen for the present fiscal year. However, when the special account communications item of over 200,000,000 yen and other special expenditures are included, the total for 1934-35 is expected to exceed the 1933-34 figure by approximately 70,000,000 yen. The new budget is the largest in the history of the nation. Some details follow:

1931-35 Draft Budget

Revenues		Expenditures	
Ordinary account.....	Yen 1,248,029,681	Ordinary account..	Yen 1,247,105,893
Extraordinary account:		Extraordinary ac-	
Ordinary revenue.....	58,744,288	count.....	864,431,590
Bond issues.....	785,335,826	Total.....	2,111,537,483
Surplus carried forward			
from preceding year....	19,427,683		
Total.....	2,111,537,483		

1931-35 Allotments to Departments

Offices	Final Allotment	
	Ordinary	Extraordinary
Imperial Household Department	Yen 4,500,000	
Foreign.....	16,690,013	10,710,748
Home.....	49,651,515	119,818,209
Finance.....	435,240,987	30,859,508
War.....	168,587,711	280,874,369
Navy.....	199,337,475	288,543,188
Justice.....	33,344,999	2,226,441
Education.....	129,639,771	23,141,018
Agriculture.....	29,734,897	57,975,772
Commerce.....	5,319,052	8,210,383
Communications.....	172,817,648	17,008,141
Overseas.....	1,971,825	26,431,590
Total.....	1/1,247,105,893	864,799,367

1/ The summation of this column reads 1,246,835,893 but the total as given coincides with the total given above.

The total of 2,111,537,483 yen includes 600,000,000 for fixed charges such as allotments for pensions, interest on outstanding Government loans, and allowances for exchange differences. Deducting this amount, there is a balance of 1,511,537,483.

From the above tabulation it will be seen that the total appropriation for the Navy is 487,880,663 yen, and for the Army, 449,462,080 yen -- a total for defense of 937,342,743, or 62½ percent of the total excluding fixed charges, or 45 percent of the total budget. Agriculture is allotted 27,710,669 yen, or 4.2 percent of the total, while commerce gets only 13,529,435 yen or 0.6½ percent. The Minister of Agriculture and Forestry requested an "additional" allotment of 33,000,000 yen but succeeded in getting only 3,000,000 yen. Considerable apprehension is evinced in the press over the refusal of the Minister of Finance to grant more funds for Agriculture and Forestry, particularly in view of the present situation in the raw silk and rice industries. Naturally, the budget as approved by the cabinet must be approved by the Diet, and the Minister of Agriculture and Forestry is still hoping for further concessions before it is actually finally adopted.

Budget Agreement is Result of Compromise (Commercial Attache Frank S. Williams, Tokyo, 12/4/33.)

There has been much interest in the cabinet dispute over "additional" appropriations in the new budget. After a series of lengthy conversations and reported threats of resignation

by the Ministers of Navy and Finance, a compromise was finally reached, and the new budget approved at a meeting of the cabinet held on Saturday, December 2. There was a general feeling of satisfaction and relief throughout the country when the announcement of the approval was made, as fear had been expressed that the Saito Cabinet would fall if the deadlock between the Minister of Finance and the Minister of Navy were not broken. The former has, by his conciliatory attitude undoubtedly further solidified his position with the financial interests of the country, as the fall of the cabinet would have greatly weakened bonds and debentures, and added materially to the general economic uneasiness. The additional appropriation will, of course, have to be met by increased bond issues, but financiers anticipate no upset in the money market by the increase in bonds from 701,000,000 yen to 785,000,000.

Bank Clearings Nearly at All-Time Peak (Commercial Attache Frank S. Williams, Tokyo, 12/11/33)

Bank clearances in Osaka during November continue the upward trend evident since the beginning of 1933, and were the largest on record for any November, the total number of bills being 935,442, and their value 2,489,000,000 yen. This is the second largest amount on record, the previous high being in March 1927 (during the panic). According to Rengo, the heavy increase this November was due to: (1) The absorption of call money by the Yokohama Specie Bank and various security companies; and (2) the issuance of special bills by the curb exchanges for the purpose of raising funds for operations, causing an increase of 20,000,000 yen at the end of November over the previous month-end, the total of these special bills being 39,000,000 yen.

Finance Minister's Word of Caution to Bankers: Urges Cooperation (Trans-Pacific, 11/30/33.)

Although admitting that plenty of capital apparently is available in Japan for the promotion of industry, Finance Minister Korekiyo Takahashi November 23 sent to the 32nd general meeting of the Kwansai District Banks at Osaka the advice that they refrain from announcing any additional dividends for the time being. The message said the condition of the country's banks is good and the case on hand is increasing.

In his speech the Finance Minister urged cooperation between banks, rather than mergers, saying: "One of the most important matters bankers have to consider is cooperation. Cries are being heard now against the so-called control of provincial finance. This is supposed to have as its object the merger of provincial banks. A bank merger does not necessarily bring about satisfactory results. The best plan, therefore, is for provincial banks to maintain mutual cooperation according to regional consideration, with the group maintaining coordination with banks in the central market. This system of mutual cooperation throughout the country is considered the best to meet the present situation.

"Japanese finance has partially improved, but the improvement is not thorough-going. The powers are pursuing a national-economy policy and the atmosphere of controlled economy is becoming more pronounced than ever before. Japan must be prepared to counteract the tendency. In order to do this, Japanese manufacturers, financiers and traders must combine themselves into one solid bloc."

Largest Bank in Japan Now Operating (Commercial Attache Frank S. Williams, Tokyo, 12/11/33.)

The inaugural ceremonies in connection with the opening of the new Sanwa Bank in Osaka was held on December 9. This new bank was established by the merger of the Konoike, Yama-

guchi, and Thirty-fourth banks, and is capitalized at 107,209,000 yen. Of this amount, 72,200,000 yen is paid up. The bank has 174 branch offices throughout Japan, including 71 in Osaka.

Japan Bank's Head Would Resign Post. (The Trans-Pacific, Tokyo, 12/14/33.)

Mr. Hisaakira Hijikata, Governor of the Bank of Japan, has notified Finance Minister Takahashi of his intention to resign as head of the bank. He will be replaced by Vice-Governor Eigo Fukai of the same bank, according to the Yomiuri. The same paper reports that the vacant vice-governorship will be filled by Mr. Yutara Tomita, director of the Financial Affairs Bureau of the Finance Ministry. It is not known when formal announcement of these changes will be made, but undoubtedly it will be in the near future, it is said.

The Sterling-Dollar Optional Clause in Japanese Securities. (Commercial Attache Frank S. Williams, Tokyo, 12/4/33.)

One example of the effect the present yen-dollar exchange rate is having on Japan-American business is illustrated by the loss Japanese companies are now experiencing in making payments of principal and interest on Japanese foreign-currency securities held abroad. At the end of 1932 Japanese securities held in foreign countries amounted to approximately U.S. \$324,000,000. Dollar securities contained the proviso that borrowers could receive payment either in dollars or in sterling at the dollar-sterling parity exchange rate in England (£1 = \$4.8665).

The optional clause was inserted apparently in the belief that the gold standard would be maintained both in the United States and England. With both countries now off gold, it is considered here that the stipulations regarding optional payment has become invalid. On November 28, local press reports indicated that the Tokyo Electric Light Company had decided to repudiate the optional clause and make payments only in sterling. On the 2nd it was announced that the company had changed its decision, in view of the stand taken by the Government and some other concerns to the effect that the credit standing of the country would undoubtedly be better maintained by conforming to the spirit rather than the letter of the security stipulations. It was decided to pay interest on dollar debentures in dollars to holders residing in the United States, and in sterling to holders residing in countries other than the United States.

In this connection, announcement was made by the Finance Department on November 28 that the Government will live up to the option clause in Government bonds in sterling or dollars, so that the international confidence in Japanese Government issues will be maintained. It is recalled that the Japanese Government paid in dollars the interest on its 5 percent sterling issues some months ago when the London-New York cross rate was considerably below parity.

Foreign Debts of Utilities (Commercial Attache Frank S. Williams, Tokyo, 12/11/33.)

According to local newspapers the five leading electric power companies in Japan have definitely decided not to pay interest on their foreign debt in pounds sterling, but in dollars. According to the optional payment provision under which these securities were sold, the power companies can pay interest and principal either in dollars or sterling. In some instances, funds necessary to meet interest payments have already been remitted to fiscal agents in the United States. In view of this decision, it is presumed that objections will be raised by London fiscal agents, and there is a possibility that legal suits may arise between the fiscal agents and the power companies. The decision is believed to indicate that the companies will refuse to make payment in sterling.

Money Market is Sluggish; New Enterprises Lag (Commercial Attache Frank S. Williams, Tokyo, 12/4/33.)

The money market has been decidedly quiet, with the call loan rates unchanged. Bankers are of the opinion that the amount of idle money held by banks will increase with the expenditure of approximately 400,000,000 yen by the Government before the end of 1933. There is little sign of any increase in new enterprises, as general economic and manufacturing conditions are not particularly attractive to new capital. Money rates continued low during November, with little indication of a reversal. Many bankers have indicated their disapproval of the Government's policy of maintaining rates at such low level, but others are thoroughly in accord with the Government's policy.

Export Bills Increase (Japan Trade and Economic Letter, Oct. 1933)

Continued development of Japan's export business is reflected in the Government's purchase of "indemnified" export bills for the first half of the current fiscal year, April to September 30. The number of bills purchased was 3,947 against 1,389 for the same period of last year, their value reaching 10,743,000 yen compared with 3,030,000 yen.

Gold Bought in Japan to be Retained There (Commercial Attache Frank S. Williams, Tokyo, 11/4/33.)

The Government is reported to have purchased 500 kwán, or 500,000,000 yen worth, of gold in the first five days following announcement of the new purchase price of 9.94 yen per momme. The Department of Finance is also reported to have altered its gold policy by retaining in the country all gold purchased for Government account by the Bank of Japan. This decision was made on the supposition that outward shipments of gold at the moment might stimulate the present upward trend in the foreign-exchange value of the yen.

The Price of Gold in Japan (Commercial Attache Frank S. Williams, Tokyo, 12/11/33)

The temporary stabilization of the purchase price of newly mined gold at \$34.01 by the Reconstruction Finance Corporation, the continued steadiness of the yen-dollar exchange rate, and the increase in local supply, were responsible for the drop in the price of gold in Tokyo on December 7. When the Government raised its purchase price from 8.88 yen to 9.94 yen per momme, the local open market price was 11.60 yen. Speculators, for some time after the increase, based their operations on the supposition that the gold price in Japan would change in accordance with the R.F.C. price, but due to local conditions this presumption has proved erroneous. Instead of the price strengthening, it has shown a weak tendency, and speculators have been forced to liquidate most of their holdings at smaller profits than anticipated, some incurring losses.

Increase of Gold Price on November 24 (Trans-Pacific, 11/30/33)

Effective November 24 the Government raised its purchase price for newly-mined gold from 8.88 yen to 9.94 yen per momme, with the idea of checking smuggling into Manchukuo (where a better price is offered than in Japan). It is further desired to stop hoarding in this country and to buy more gold. Miners have refused to sell to the Government at the old price, which has not been changed since the United States abandoned the gold standard. It is doubtful, however, that much gold will be offered the Government at its new price, for the open market in Tokyo is now 11.60 yen, in contrast to November 21 quotations of 13.12 yen in London and 13.92 yen in New York.

Japanese Silver Products Association Ceases Sales (Ambassador Joseph C. Grew, Tokyo, 1/3/34.)

The silver purchase plan announced by President Roosevelt on December 21 has been followed by suspension of sales of the Silver Products Association of Japan.

NEW ZEALAND

(On January 10, 1934, one pound = \$4.0650)

A Definite Statement on the Exchange Rate (Australasian Insurance and Banking Record, 11/21/33.)

The New Zealand Government has made a plain and clear statement with reference to exchange. In his budget speech on November 9 the Minister of Finance, Mr. J. G. Coates, said: "The Government has decided that the exchange rate will be kept at the present level until at least the end of the present export season. This does not mean that at the end of the season the rate will be reduced or that it will not be increased. It does mean, and it means definitely that in the absence of abnormal world developments, which cannot be foreseen, the rate will not be reduced prior to that date. This assurance has been given to remove any doubts on the matter. It is an assurance that concerns not only producers, but all who have financial obligations to meet in the United Kingdom."

Reserve Bank and the Surrender of Gold Held by Trading Banks (Australasian Insurance and Banking Record, 11/21/33.)

It is greatly regretted that the New Zealand Government should have treated the question of establishing a Central Reserve Bank in such a manner as at once to amount to a piece of injustice and to throw an air of politics over the institution, a thing specially to be avoided in dealing with the subject in question. Injustice is involved in the proposal to take the gold held by the banks in exchange for depreciated paper currency without taking the depreciation into account. The Government has put forward lengthy arguments which, however, will not stand examination. If the arguments of the Government were valid they would lead to much wider conclusions than those represented by the present proposal. One feature of the position is that the gold held by some of the banks exceeds their note issues. Part of the gold held has been imported by banks into New Zealand, and here again the inequitable character of the proposal is evident. The total amount now held by the banks is substantially greater than one-third of the note issue, while the security of the existing note issues is based not simply on the gold held, but also upon the first charge over all assets. The legal position of the banks has been defined by the opinion given by Sir Francis Bell. With regard to one aspect of the matter, it is noted that present circumstances in New Zealand are different from those in Australia, when the banks provided the Government with gold for export to meet a pressing situation. The New Zealand Government has larger funds in London, and there is consequently no comparison between the two cases. Disinterested banking opinion is opposed to the proposal, which is regarded as being unfair and inequitable, and savoring of spoliation. Altogether there is no reason why the banks should not be treated fairly, and it is to be hoped that further consideration will lead to a different result from that proposed.

Grosvenor M. Jones,
Chief, Finance and Investment Division.

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

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FAR EASTERN FINANCIAL NOTES

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Exchange Rates, 1933. - Attention is invited to Commerce Reports of January 13, 1934, which contains a table showing the average paper-dollar and gold-dollar value of the principal foreign currencies during each month of 1933, together with annual averages for 1932 and 1933, also the price of gold and silver. The Finance and Investment Division has a few reprints of this table. If you wish to receive a copy, please write us promptly.

AUSTRALIA

(On January 27 one Australian pound - \$3.9533)

Australian Outlook Good (Consul General John K. Caddwell, Sydney, 1/19/34)

The outlook at the beginning of the year with reference to internal activities and overseas trade is the most auspicious since the start of the depression.

Australian Budget for 1933-34 Received * (Trade Commissioner E. C. Squire, Sydney, 12/14/33)

The Finance and Investment Division has a copy of the printed budget for 1933-34, together with the budget speech delivered on October 4 by the Treasurer of the Commonwealth.

BRITISH INDIA

(On January 27 one rupee = \$0.3734)

Gold, Silver, and the Exchange Policy of the Government (The Financial News, 12/16/33)

Mr. Chumilal B. Mehta, Vice-President of the Bombay Bullion Exchange, on December 9 made a speech in which he advocated a lower rupee ratio and a Government policy of not selling surplus silver. The Government, he said, is under no obligation to sell silver. The new reserve bank will have 500,000,000 rupees of silver. The remaining silver now in the Treasury will be treated by the Government as stock purchased. Whether 500,000,000 rupees of silver coins will be sufficient or not, time alone can say. Whatever may be the rupee ratio, the Government cannot afford to refuse the convertibility of currency notes. It may be that according to present-day conditions 500,000,000 will appear sufficient, but during periods of high prices or abnormal panics this amount will appear to be quite insufficient. The net absorption of silver rupees during the period 1915-16 to 1919-20 amounted to 1,370,000,000 rupees, or an average of 275,000,000 rupees per year. Therefore, the provision of 500,000,000 rupees of silver plus the maximum amount of 50,000,000 rupees may be received annually from the Government is too small a reserve for ensuring confidence in note convertibility.

Rupee Ratio Change Voted Down (Trade Commissioner George C. Howard, Calcutta, 12/21/33)

The vote on the reserve bank bill defeated proposals to change the ratio of the rupee to sterling from 1s. 6d. to 1s. 4d.

New Bank Notes Issued (Trade Commissioner George C. Howard, Calcutta, 12/21/33)

There has been much criticism of the 5 and 10 rupee notes recently issued, and the Government is issuing a new design on a better and heavier paper.

CHINA

(On January 27 one yuan = \$0.3311)

The Chinese customs gold unit is equivalent to 40 cents gold. Exporters desiring to calculate the approximate paper-dollar value of the c. g. u. can do so by (a) dividing the current price of gold per ounce by \$20.67 and (b) multiplying the result by 40 cents.)

Customs Reports on 1933 Revenue (Consul General Edwin S. Cunningham, Shanghai, 1/13/34)

Customs revenues last year were 340,000,000 yuan compared with 315,000,000 yuan in 1932. Only a small surplus remains for Government administration expenses, after deduction of collection charges and of the sums

needed for fulfilling foreign-loan and indemnity obligations. Of the total customs revenues, 52 percent was collected at Shanghai.

Bankers Association Made Progress in 1933 (Consul General Edwin S. Cunningham, Shanghai, 1/13/34)

The Shanghai Chinese Banking Association, which consists of modern-type Chinese banks, last year increased its membership by 10 making the total 36. It is probable that the membership will be further increased by 8 or 10 during 1934.

Bank failures in China have been comparatively few, and these have been confined largely to the Canton-Swato^w area. Banks in central and north China generally showed profits in 1933, although smaller than in 1932. The Hankow banks had a more profitable year than those in Shanghai.

Nanking Professors Suggest "Commodity Dollar for China in Order To Stabilize Commodity Price Level (Finance and Commerce, 12/13/33)

Dr. Ardron B. Lewis, statistician, and Mr. Chang Lu-luan, instructor in the Department of Agricultural Economics of the University of Nanking, are the joint authors of an article in which the conclusion is reached that a steady appreciation of the value of silver is practically certain. They join issue with those who argue that an increase in the purchasing power of silver will greatly increase the buying power of China in the world markets. They consider that the exact opposite will be the case, and that the rising purchasing power of silver will cause the internal price level in China to decline, will bring about severe business depression in China, and will reduce Chinese imports of foreign goods. The author suggests that China should stabilize the price level by adopting a "commodity dollar" based on a variable amount of silver. Under this plan all internal payments in settlement of debts, contracts, or other obligations could legally be made in Chinese dollar notes, regardless of their silver value at the time the contract was made or at any other time.

China Exports Gold to London (Samuel Montagu and Co., Weekly Review of Foreign Exchanges, 1/4/34)

Between December 18 and 23, £ 370,509 in gold was received in the United Kingdom from China, and during the period December 23 to January 1, £ 60,859 from Hong Kong.

EGYPT

(One pound Egyptian = approximately 102 $\frac{1}{2}$ times pound sterling, or
On January 27 = \$5.0945)

Decree Governing Nickel Coin*

This Division has a copy of Ministerial Decree No. 110 of 1933, appearing in the Egyptian Government's Journal Officiel (No. 112 of December 14, 1933), specifying the content, weight, and dimensions of Egyptian nickel coins.

JAPAN

(On January 27 one yen = \$0.2945)

1934-35 Budget Statement of Finance Minister Takahashi *

The Japanese Financial Commission in New York has supplied this Division with the text of Finance Minister Takahashi's speech before the Diet on January 23, 1934. The following remarks are excerpted therefrom:

As compared with the budget for the fiscal year 1933-34 the proposed budget shows a decrease of about 197,000,000 yen. But, as a special account is to be set up from 1934 on, for the post office, telephone and telegraph service, the revenues and expenditures pertain to such service are excluded from the budget for 1934. Therefore, in order to make a fair comparison of expenditures for 1933 and 1934, those for such services must be deducted from the expenditures for 1933. With this adjustment, the decrease in the expenditures for 1934 will be about 8,000,000 yen.

As compared with the revenues for 1933, adjusted in the same way as above, those for 1934 show an increase of about 134,000,000 yen, which is a result of improvement in the general business situation.

Referring to the 881,000,000 yen of contemplated loans, the Minister stated:

As heretofore, those public loans shall all be subscribed by the Bank of Japan and then shall be disposed of by the Bank in such a way as to be agreeable to the money market. Thanks to the improvement of our business situation, we have been able to estimate a considerably larger increase in our revenues, and I expect the revenue level of 1928 or 1929 will again be reached before long, given continuance of the present pace of business improvement. But as the amount of deficit is still very large, it is imperative to keep the amount of new loans as low as possible by effecting economy in all items of expenditures and to preserve our financial integrity.

Chugai States General Araki's Sacrifice Avoided Budget Impasse (Japan Weekly Chronicle, 12/14/33)

Commenting on the new budget, the newspaper Chugai Shogyo accepts the 2,111,000,000 yen total as inevitable under the prevailing circumstances. The greatest obstacle was the Navy Department's vote, it says. The naval authorities stoutly resisted the Finance Departments' cuts in their original estimates, while Mr. Takahashi, the Finance Minister, as firmly stood by his guns, convinced as he was that further concession meant financial bankruptcy.

The situation had become very critical when, thanks to the worthy efforts of the Premier, the War Minister, and other ministers, the tension was eased and the differences between the Navy and the Finance Minister were amicably composed.

The Tokyo journal pays tribute to the War Office for manifesting a spirit of self-sacrifice. From the beginning, the War Office showed a sufficient breadth of view. Its original estimates on the Manchurian-affair expenditure were reduced by the Finance Department from 150,000,000 to 130,000,000 yen. In the revised draft budget also, its claims for revival were accepted to the extent of only 20,000,000 yen. In the face of these cuts, it adopted quite a docile attitude. Moreover, when the budgetary situation became critical, it showed itself magnanimous enough to transfer 10,000,000 to the Navy Department from the Manchurian-affair reserve fund. The spirit of self-sacrifice displayed by the War Office in order to forward the Finance Minister's policy is really commendable. The submission of Mr. Goto, Minister of Agriculture and Forestry, to the Finance Minister's cuts in very trying circumstances speaks well for his moral courage also. He has the assurance of the Cabinet that his plans and measures will be given full and sympathetic consideration at the conference of ministers on matters of domestic administration.

"Slump of Yen and Loan Policy Have Caused Little Inflation" (Dr. S. Washio in Trans-Pacific, 12/26/330)

It is a common observation of those who return from abroad that there is not the least evidence of depression in this country. To all appearances the year-end business is prosperous, with a remarkably stable price level. We heard less complaint about unemployment and no cases of bank failures, and the popular alarm of inflation felt a year ago has not come true. Despite the exchange depreciation of the yen and the loan policy of the Government, there has been practically no currency inflation and the commodity prices for home consumption have risen scarcely 20 percent since the abandonment of the gold standard. As a result, the feeling has grown that any alarm over inflation is like the cry of "Wolf."

It is indeed remarkable that, while the yen has depreciated over 50 percent since the abandonment of the gold standard and over 1,200,000,000 yen of government bonds were taken up by the Bank of Japan in the past year and a half, the currency increased only from 1,100,000,000 to 1,200,000,000 yen; and that, while the prices of imported materials and goods have risen from 50 to 80 percent, export business has been good, and munitions industries especially prosperous, the price level has not risen much over 20 percent.

There are two principal reasons for this development. The one is that the export business, though brisk, has not been so good as to bring an increase in the purchasing power of the general public at home. Also, with the munitions industries, the extent of their prosperity has been limited. The other reason is that, of 1,200,000,000 yen of Government bonds taken up by the Bank of Japan, very little has led to issues of currency.

Exchange Control Effective, Takahashi States

On January 23, Finance Minister Takahashi stated before the Diet that "The

foreign exchange control law is being enforced efficiently. The foreign exchange market is still in chaos, and it is very difficult to keep the value of the yen steady in terms of foreign currencies; but it is gratifying to note that the yen has been fairly steady since November 1932."

Banks Do Well in Last Half of 1933 (Ambassador Joseph C. Grew, Tokyo, 1/15/34)

Practically all large banks reported increased business for the last six months of 1933.

NEW ZEALAND

(On January 27 one New Zealand pound = \$3.9679)

Budget for 1933-34 (Consul General Calvin M. Hitch, Wellington, 12/4/33)

New Zealand's financial position was reviewed at length by the Minister of Finance in his budget speech in the House of Representatives on November 9. No new taxation is to be imposed. Mr. Coates said that, although reductions were out of the question at present, it was justifiable to hope that the time was not far distant when action in that direction would be possible.

The expenditures for the financial year ending March 31, 1934, are estimated at £24,400,00 while the revenue is estimated at £22,306,000, leaving an estimated deficit of £2,094,000.

The revenues and expenditures, as presented in the budget estimates for the year by the Minister of Finance are summarized below:

<u>Expenditure</u>		<u>Revenue</u>	
		<u>Taxation</u>	
Debt Services	£10,445,000	customs	£6,200,000
Exchange on normal requirements	1,790,000	Beer duty	650,000
Transfer of motor taxation	1,179,000	Sales tax	1,750,000
Other permanent appropriations	340,000	Gold export duty	140,000
Annual votes			
Social services	6,900,000	Highways	1,650,000
Other votes	3,597,000	Stamp and death	
Total	24,251,000	duties	2,600,000
		Land Tax	450,000
		Income tax	2,700,000
		Miscellaneous	74,000
			16,214,000
		Interest receipts	2,551,000
		Other receipts	1,541,000
		From reserves	2,000,000
		Total	22,306,000

Effect of Exchange Rate on Public Finance (Consul General Calvin M. Hitch, Wellington, 12/4/33)

In the budget speech of November 9 it was announced that the exchange rate, which is at present 25 percent above the London rate, will be kept at that level until at least the end of the current exporting season, which is

about May 1. This, Mr. Coates said, did not mean that at the end of the season the rate would be reduced, or that it would not be increased, but that in the absence of abnormal world developments which could not now be foreseen, the rate would not be reduced prior to that date.

During the debate the Honorable W. Downie Stewart, formerly Minister of Finance, made a speech in which he confined his remarks almost entirely to the question of exchange and the effects of the present high rate on the public finances of the Dominion. Mr. Stewart said that when he saw its effects on the budget, the difficulties in which it had involved local authorities, the loss of goodwill, and the resentment created in the minds of the British farmers and others, he was more than ever confirmed in the opinion, expressed last January, that the temporary benefits the high exchange might appear to have secured, had been too dearly bought.

Mr. Stewart further stated that the most interesting feature of the budget was the effect of the high exchange on public finances. It would be noted that the only item in the budget figures dealing with exchange was the one reading: "Exchange on normal requirements £1,790,00."

Mr. Stewart submitted that during the half year ended on September 30 last, London funds purchased from the banks amounted to £13,345,00. From this amount was deducted the £8,500,000 required by the Government for use in London and Australia, leaving £4,845,000 as surplus sterling assets taken over from the banks. "It is important to note," said Mr. Stewart, "that these figures only relate to the first half of the financial year; nothing being said as to the amount to be taken over during the other half of the year." He anticipated that another £4,000,000 would have to be taken over by the Government during the last semester of the current financial year, and from this there would be no deduction for oversea interest requirements, as these have already been paid. The conclusion to be drawn was that the budget should have been debited not only with the £1,790,000 for normal requirements, but also with £1,200,000 on the surplus sterling assets amounting to £4,845,000 taken over up to September 30, and would probably also have to be debited with another £1,000,000 on surplus to be taken over during the current half-year.

In the concluding portion of his argument Mr. Stewart declared that, he was willing to admit that times are abnormal, but he could not concede the right of the Finance Minister to burden the budget with millions of exchange costs without making provision for payment.

New Silver Coins Arrive (Consul General Calvin M. Hitch, Wellington, 12/4/33)

The first consignment of the new silver coins, the designs for which were approved by the New Zealand Government some months ago, has been received in Wellington from the Royal Mint at London. This shipment consisted of half-crowns valued at £250,000; the balance of this denomination is expected by the middle of December.

It is stated that something like 40,000,000 new silver coins will

probably have to be issued before the existing silver coins in New Zealand are entirely replaced. The replacement of coinage on such a huge scale is by no means an easy task. One of the principal difficulties confronting the Treasury has been to estimate the proportions of the various denominations of coins in circulation. The total value of silver coins in the hands of the New Zealand public is estimated at £1,500,000 to £2,000,000. Assuming that it will be necessary to import coins to the value of £2,000,000 to meet the requirements, the total value of each denomination and the number of coins of each denomination will be as follows:

<u>Denomination</u>	<u>Value</u>	<u>Number</u>
Half-crown	£700,000	5,600,000
Florin	600,000	6,000,000
Shilling	300,000	6,000,000
Sixpence	200,000	8,000,000
Threepence	200,000	16,000,000
	2,000,000	41,000,000

The new coins will be issued through the banks, as they withdraw the old coins from circulation, and it is expected that the whole process of replacement will be completed by the end of March 1934.

Launching of Central Reserve Bank: (Consul General Calvin M. Hitch, Wellington, 12/4/33)

The Legislative Council passed without amendment, on November 21, the Reserve Bank Bill as it came from the House of Representatives. The only real discussion was on an amendment offered by Sir Francis Bell for inserting the word "sole" in the bill in connection with the right of note issue, but the amendment was heavily defeated. The Government members evidently objected to the amendment on the ground that at some time in the future it might become necessary for the Government to issue notes for tiding over emergencies.

A prospectus is now being prepared by the Treasury setting out the terms and conditions under which applications for shares in the bank will be invited. This prospectus, together with application forms, will shortly be circulated throughout the Dominion, and the Minister of Finance will name a date for the closing of applications. It is believed in Government circles that the applications will be sufficient to necessitate the closing of the lists shortly after they are opened.

As soon as arrangements have been completed for the issuance of the share capital, the Government's first action will be to appoint the Governor of the bank. It is anticipated that appointment will be made within the next few weeks. It is intimated that some well-known financier on the staff of the Bank of England will be selected, as it is considered essential that the first governor should be a man highly trained in central banking, and qualified to advise the Government and the directorate on every phase of the bank's administration.

No arrangement will be made for the administration of the bank until after the appointment of the governor. Under the terms of the act, 6 months' notice must be given to the trading banks of the termination of their right to issue notes,

and it is hardly probable that the new bank can be opened for business before June or July of 1934.

American Investment in Christchurch Utility now Unlikely (Consul General Calvin M. Hitch, Wellington, 12/4/33)

The Government's determination to prevent the Christchurch City Council from embarking on an electric power scheme by means of American capital was expressed by the Prime Minister in the New Zealand Parliament on November 22. The question arose by reason of a report in the Christchurch "Press" of October 10, that the city contemplated the construction of an electric power generating plant on the Waimakariri River with American capital, and that it proposed to obtain further reports on the project from American experts.

The Prime Minister stated that he thought it only fair to the Christchurch City Council and to the residents of Christchurch that the Government's attitude in the matter should be made quite clear before the proposal was advanced any further. He stated that the Government itself had entered into the power supply business in a comprehensive manner and had invested a very large sum of money. He referred to a new power plant at the Waitaki River involving an expenditure of over £2,000,000 which was intended to meet the increasing demand for power, mainly from Christchurch, Canterbury, and Otago. The Prime Minister concluded by saying it was inconceivable that Christchurch should now be permitted to embark upon a scheme of inopposition to that of the State, and that the Government is prepared to take definite steps to prevent the State's interests from being jeopardized.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of two pesos for one dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Bank Interest Rate Lowered (Trade Commissioner E. D. Hester, Manila, 12/26/33)

The Governor-General has announced new reduced interest rates for the Philippine National Bank, effective January 1, 1934. The old and the new rates are as follows:

	Old rates (Percent)	New rates (Percent)
Agricultural loans	8	7
Commercial Loans:		
Maximum	12	10
Minimum	7	6

At present it is not known whether private banking establishments will follow the reduction. It is assumed by many that they will, because the Philippine National Bank is known to have a large surplus of local loans.

Blue Sky Bill is Vetoed* (Trade Commissioner E. D. Hester, Manila, 12/12/33)

The Governor-General on December 9 vetoed Senate Bill No. 318, known as the "Blue Sky Law". A copy of the bill is on file in the Finance and Investment Division.

UNION OF SOCIALIST SOVIET REPUBLICS

(The monetary unit is the chervonets, consisting of 10 rubles.

The chervonets has a par value of approximately \$5.1457)

Rapid Growth of National Income (Economic Review of the Soviet Union, 1/34)

The national income in the Soviet Union for 1933 reached 51,000,000,000 rubles, as compared with 45,500,000,000 the previous year and 33,400,000,000 in 1930. Thus, the gain last year amounted to 12.1 percent, and for the 3 years from 1930, 52.7 percent. These increases are unprecedented in the history of modern nations. The total income for the 3 years 1923 to 1930, inclusive was 89,000,000,000 rubles, whereas for the past 3 years it amounted to 134,800,000,000 rubles.

There has also been a considerable growth in the proportion of the national income derived from the socialized sector of the national economy (state and cooperative organizations), which constituted 88.5 percent in 1933 as compared with 73.6 percent in 1930. That from property still in the hands of private individuals (mainly peasants) was reduced to 11.5 percent last year, from 26.4 percent in 1930. The share of industry and construction in the national income rose from 42 percent in 1930 to 50 percent last year.

TURKEY

(One Turkish pound equals 12.06 French francs, or on January 27 = \$0.7501)

Prime Minister Outlines Turkey's Aims (Ambassador Robert P. Skinner, Istanbul, 12/13/33)

The following points were made by Ismet Pasha, the Prime Minister in a speech at Halk-Evi on December 13, 1933:

Strict measures will be adopted to balance the budget of this year.

The gold stock in the central bank is being increased continually. During the last two years the bank has deposited in its vaults one million gold ingots, the amount being estimated between nine and ten million Turkish pounds.

The national monetary system will be continued. The value of the money shall not be inflated nor deflated.

Turkey's policy has been and will be to increase the exchange of commodities to the greatest possible degree.

The practical meaning of national savings should be the investment of the money in better national works.

Grosvenor M. Jones, Chief
Finance and Investment Division

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No. 152

FAR EASTERN FINANCIAL NOTES

February 19, 1934

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Formula for Converting Old Dollars into New

The Finance and Investment Division has received so many inquiries concerning the new-dollar value of figures expressed in terms of old dollars, that the following data are published for the convenience of the readers of these notes. Attention is called to the fact that the old dollar is worth 1.6932 new gold dollars. Any sum expressed in terms of old dollars can be converted into new dollars by adding 69.32 percent. The following table is based upon the President's proclamation of January 31, 1934:

Gross weight of old gold dollar.	25.800 grains
Gross weight of new gold dollar (15 5/21).	15.238 grains
Gold content of old gold dollar.	23.220 grains
Gold content of new gold dollar.	13.714 grains
Net amount of cut in gold dollar.	40.94 percent
Net value of new dollar in terms of old dollar.	59.06 percent
Value of old dollar in terms of new.	169.32 percent

The new par values of the leading foreign currencies may be found in the inside front cover of the current issue of Commerce Reports. (Commerce Reports is issued weekly and the domestic subscription rate is \$1.50 a year. Subscriptions should be sent to the Superintendent of Documents, Government Printing Office, Washington, D. C.)

AUSTRALIA

(On February 10, one pound = \$4.0033)

Australian Conversion Operations Described (Australasian Insurance and Banking Record, 12/21/33)

A further stage in the process of converting Australian loans in England which are within the optional period for redemption is represented by the $3\frac{3}{4}$ percent loan of £16,647,349, with a currency of 12 to 15 years, which has been issued in London this month. The price of issue is 99, and the yield to the investor, assuming redemption at the end of 15 years, is £3 16s. 9d. With the exception of the short-term conversion loan issued last June, the yield on the present issue is the lowest for any of the Australian conversion loans issued in London during the past 14 months, thus showing an improvement to the advantage of the Commonwealth Government. The following is a summary of the six conversion issues made by the Commonwealth Government in London from October 1932:

1932 October 1933	Rate(percent)	Due 1937	Amount	Price of issue.	Yield		
					£	s.	d.
	$3\frac{1}{2}$		£12,360,959	$97\frac{1}{2}$	4	1	2
February	4	1955-70	9,621,846	100	4	1	5
June	$3\frac{1}{2}$	1937-38	11,409,965	99	3	14	5
July	4	1943-48	17,221,191	99	3	1	10
September	$3\frac{3}{4}$	1948-53	20,951,000	98	3	17	11
December	$3\frac{3}{4}$	12-15 yrs.	16,647,000	99	3	16	9

The total of the above is £83,211,961, including approximately £45,750,000 for New South Wales, £15,000,000 for the Commonwealth, over £6,750,000 for Victoria, £2,000,000 for Queensland, £11,500,000 for South Australia, £3,750,000, and over £3,000,000 for Tasmania. The aggregate interest saving, according to the Treasury statement, is £1,523,000 sterling per annum equivalent to £1,904,000 Australian currency after allowing £381,000 for exchange at the present rate.

The remaining loans with high interest rates now within the optional period are the New South Wales 5 percent loan 1932-42 £3,979,050, and the Victorian 5 percent loan 1932-42 £13,875,800, together £17,854,850, which it may be hoped will be converted in the new year. The list of loans within the optional period also includes various loans at low rates of interest, such as the New South Wales $3\frac{1}{2}$ percent 1930-50 and the Victorian 3 percent and $3\frac{1}{2}$ percent 1929-49 which do not require to be dealt with.

Banker Cautions "Australia Not 'Out of the Wood'" (Consul General John K. Caldwell, Sydney, 1/9/34)

Although financial and economic conditions in Australia have shown a distinct improvement during the past year, as a result of the present high price of wool and the occurrence of three successive good seasons, there is occasionally a suggestion that Australia is not entirely beyond the danger of further depression. In the Sydney Morning Herald of December 19, 1933, appears a speech by Mr. A. G. Davidson, general manager of the Bank of New South Wales, in which he states that Australia can not be considered "out of the wood" until every efficient unit in it is working at a profit.

Savings Through Conversions (Consul General John K. Caldwell, Sydney, 1/9/34)

According to a statement issued by the Treasury on behalf of the Prime Minister on December 21, interest charges totaling £243,000 annually and exchange charges amounting to £61,000 have been saved by the recent conversion of Australian loans in London.

Exchange Rate On London: Official Intimations (Trade Commissioner E. C. Squire, Sydney, 12/27/33)

Australian exchange, since the departure from the gold standard, has tended to become based directly on sterling, but by no means at the same parity as sterling. There is apparently official intimation that Australia is not contemplating bringing the Australian rate to parity with sterling, at least not in the near future. This is not to be construed as a prophecy that the present relationship (£125 - £100 sterling), will be maintained exactly.

The following is an extract from the budget speech of Mr. Lyons, Prime Minister and Treasurer of Australia, delivered October 4, 1933:

It is, however, almost certain that our London funds will be augmented during the present year. There is no reason to believe that this accretion of London funds will prove greater than our actual needs to finance the service of the overseas debt and the purchase of necessary imports. We still require a further rise in prices to build up in London such reserves as would enable us to meet a bad season with any degree of confidence....

It is clear that it will not suit Australia, as a debtor country, for sterling to be overvalued when the time comes to link up again with gold. Whatever the United Kingdom may decide to do in this respect, it is important that we should retain our own right to fix our monetary unit at the point which is consistent with our own price level at the appropriate time.

It should be noted that the Commonwealth Bank, not the Federal Government, takes specific responsibility for the exchange rate and that, although it is Government-owned and acts as the Government's fiscal agent, it is nevertheless held to be free from political control. In the determination of its exchange policy it appears that general, as well as mere banking considerations (such as supply and demand of exchange), are taken into account.

Sir Robert Gibson, Chairman of the Commonwealth Bank, on January 13, 1932,

shortly after the Bank had accepted responsibility for exchange, in an open letter to the Prime Minister, stated:

The present position in regard to exchange becomes one of more than a mere banking question, and, indeed, impinges on national policy In this connection, it must, therefore, be obvious that important issues are involved which will require most careful consideration from the point of view of national policy, and upon which it will be necessary for the Bank Board to have the views of the Government.

On April 14, 1932 the Prime Minister defined the Government's policy as follows:

The government very strongly holds the view that the rate of exchange should not be a matter controlled by governments, nor should governments be entitled to dictate to those who are controlling the exchange what the rate should be. Were such a position allowed to grow up, the exchange would be governed by political and not by economic considerations, and the result would inevitably be disaster to the country..... In exercising that control, however, it is necessary for the Commonwealth Bank to take into account economic conditions. The present world crises, and the chaos into which price levels and exchanges have fallen, have placed upon the shoulders of central banks new and difficult obligations.

No longer can exchanges be determined by the relatively simple and well-defined principles which operated when the currencies of the nations were based upon gold. Many new and complex problems have arisen involving the relation of exchanges to the economic circumstances of countries and the level of costs and prices.

The present exchange rate of £A 125 - £100 sterling has been maintained for slightly over 2 years. The benefit to Australia of the depreciated rate, both in stimulating exports and domestic trade, are regarded as self-evident, since the basis of Australia's structure is the level of export prices.

Regarding the Prime Minister's statement about a probable increase in "London funds" by June 1934, and the desirability of further building up such reserves, the following comments are pertinent. Before the depression Australian banks customarily held large reserves in London for use in banking operations with foreign countries. Owing to droughts and other contingencies, there were normally wide fluctuations in such London balances. During 1930 and 1931, reserves held in London declined very sharply. When the Commonwealth Bank accepted sole responsibility for exchange management at the end of 1931, it also became central repository of all London funds in excess of the trading banks current requirements. Thus, the Commonwealth Bank's present holdings are not comparable with those held in 1928. The following table shows estimated funds:

Average for quarter ended June -	Commonwealth Bank (£sterling, Millions)	Trading Banks (£sterling, millions)	Total (£sterling millions)
1928	11.6	46.0	57.6
1929	15.3	42.3	57.6
1930	5.9	20.2	26.1
1931	6.2	15.4	21.6
1932	16.3	21.3	37.6
1933	14.7	17.1	31.8

Before the depression, the Australian trading banks as well as the Commonwealth Bank maintained their own gold reserves, which could be employed to supplement their London funds. In 1929 the Government, through the Commonwealth Bank, took over the trading banks rather large gold reserves.

BRITISH INDIA

(On February 10, one rupee - \$0.3779)

Indian Customs Revenue for Nine Months Ended December 31, 1933 (Trade Commissioner C. E. Christopherson, Calcutta, 1/10/34)

Indian customs revenue (excluding salt revenue) collected during the 9 months ended December 31, 1933, amounted to 364,000,000 rupees, as compared with 400,900,000 rupees during the like period of 1932. Import duties amounted to 265,800,000 rupees and export duties to 33,200,000 rupees. Excise duties on motor spirit and kerosene totaled 34,500,000 and 21,200,000 rupees respectively. Land customs and miscellaneous totaled 9,300,000 rupees.

Predicts Increase in Indian Gold Shipments (The Financial News 1/6/34)

It was inferred from the recent diminution in the size of the shipments that the export of gold from India was coming to an end, despite a belief that there is still an enormous amount in the country and the continuance of the big premium on the metal in relation to sterling. It now seems evident that shipments were temporarily held up pending the result of the Indian Reserve Bill and the movement to effect devaluation of the rupee. That movement was unsuccessful, and presumably large gold shipments will be resumed. The aggregate since September 1931, now exceeds £120,000,000.

CHINA

(On February 10, one yuan - \$0.3380. The customs gold unit is now equivalent to about \$0.6773 cents gold.)

Banking in Tientsin during 1933 (Consul A. I. Ward, Tientsin, 12/21/33)

No important banks in North China failed during 1933. Two Chinese banks in Tientsin experienced runs - as did a large American bank in Tientsin - but the unqualified redemption of its currency, together with the honoring of all demands for repayments of deposits, proved that the run on the American bank was unwarranted. The banks in the Legation Quarter of Peiping and the foreign concessions of Tientsin have become the depositories of large amounts of funds removed from other areas, and are so well supplied with funds that little interest is paid on deposits. Much C

ions of Tientsin have become the depositories of large amounts of funds removed from other areas, and are so well supplied with funds that little interest is paid on deposits. Much Chinese capital has been invested in building construction in the foreign concessions of Tientsin.

The commercial and industrial community of Tientsin increased its long-term indebtedness (such as loans against real estate and overdrafts) to the banks during the first half of the year, and there was a sharp advance in short-term indebtedness (such as packing credits and temporary overdrafts) during the closing months of 1933. This latter feature, however, together with the volume of foreign-exchange contracts expected to be outstanding at the end of 1933, is cause for favorable comment in that it portends greater business activity. Local banks have been very cautious in extending credit.

Tientsin Industrial Bank Plans Branches in Manchukuo (Japan Weekly Chronicle 12/28/33)

Rengo reports from Mukden under date of December 18 as follows:

In view of the finally controlled currency of Manchukuo, smooth working of finance, firm established order, and development of its commerce and industry, the Tientsin Industrial Bank has decided to extend its branches throughout Manchukuo. The bank's agents have come to Mukden and started to get in touch with the official quarters concerned. It is expected that a branch will be established in Mukden next year, while branches will be established in principal cities of the new country.

The Price of Silver and China's Trade (Finance and Commerce, 12/27/33)

The foregoing is the title of the leading article in Finance and Commerce of December 27, 1933. The article discusses deflation in China in the following paragraph.

"For some time past we have seen the interior districts of China being gradually denuded of their silver. It might be wrong to say that some of the provinces have already abandoned the silver standard, because taxation always remains on a silver basis, but more and more paper is being circulated through merchant houses, aided and abetted by the military authorities, which has no reserve of any kind behind it, and the result is a constantly increasing number of financial crises in different centers. The great need is for silver to flow back again from Shanghai and the Treaty ports to the country districts and it would be a serious matter indeed if, through any political manoeuvring, conditions were created which would not only prevent this but would actually attract the silver from Shanghai to New York. Fear, therefore, is expressed that President Roosevelt's proclamation fixing the price of American silver may be merely a first move and, in this connection, his policy, far from being welcomed, is viewed with positive distrust by many thoughtful Chinese economists.....

"Sir George Schuster, the finance member of the Indian Legislative Assembly, has declared emphatically that a mere rise in the price of silver will not increase India's purchasing power and, although the position of China is somewhat different, he is of the opinion that the increase in purchasing power here would only be a passing phase....

China's purchasing power must rest ultimately in her exports and if her exports diminish, her purchasing power must diminish also."

World Silver and China (Consul General Edwin D. Cunningham, Shanghai, 12/13/33)

An article on the above subject appears in the December 12, 1933, issue of the North-China Daily News (British), a Shanghai daily newspaper.

Written by Ardron B. Lewis and Chang Lu-Luan, professors in the University of Nanking, the article states that, contrary to a popular belief, remonetization of silver will lessen rather than increase the buying power of China in the world markets. To effect a stable price level in China a flexible silver standard is suggested through the issuance of silver notes redeemable in varying quantities of silver according to the fluctuations in the wholesale price index - in other words, a "commodity dollar".

Commenting on the plan, the December 13, 1933, issue of Finance and Commerce (British), a Shanghai weekly magazine, states:

Finally, the point is made that in order for a flexible silver standard to be effective in controlling the internal price level, it would be necessary not to impose any restrictions on the export of silver or on its free exchange within the country.

What would happen, however, if silver decided not to submit to these experiments and took to flight is not made clear. Such a flight of capital would seriously add to the present complications, and merchants in China generally, we imagine, will breathe a prayer that the experiments will not be tried. A remedy sometimes may prove worse than the disease.

Large Volume of Silver Flowed Out in 1933 (Commercial Attache Julean Arnold, Shanghai, 2/10/34)

Regarding China's unusual silver exports during 1933 - occasioned by the increasing price of silver in New York, London, etc. - Finance and Commerce reports a net increase in Shanghai's silver stocks amounting to 64,000,000 yuan for the year. The increase caused by an inflow of silver from interior China, exceeding in proportions the net exports from that city to foreign countries.

China's 1933 Gold Trade Reported (Commercial Attache Julean Arnold, Shanghai, 2/10/34)

Customs returns show that gold imports in 1933 were negligible but exports totaled 35,600,000 gold units. Hong Kong's gold trade in Hong Kong dollars was: Imports, \$6,000,000; exports, \$90,000,000 of which \$64,000,000 was exported to Great Britain and \$22,000,000 to the United States.

Depreciated Silver Coins (Finance and Commerce, 12/27/33)

In view of reports that depreciated silver subsidiary coins are being freely minted in Shensi, the Ministry of Finance has despatched an urgent communication to the Shensi Provincial Government requesting that such unauthorized coinage be immediately stopped.

U. K. Gold Receipts from China (Samuel Montagu and Co. Weekly Review of Foreign Exchanges, 1/25/34)

Gold received in the United Kingdom from China during December totaled £623,454, and receipts from Hong Kong, £250,599.

EGYPT

(One Egyptian pound = approximately 0.1572 times pound sterling, or on February 10 - \$5.1104)

New Regulations for Egyptian Stock Exchanges (Commercial Attache Charles E. Dickerson, Jr., Cairo, 1/12/34)

The Journal Officiel of the Egyptian Government (No. 2 of January 1, 1934) contains a Royal Decree modifying the regulations which control the Cairo and Alexandria stock exchanges.

The previous regulations had been in force for over 20 years and had become somewhat antiquated. Membership on the stock-exchange committee is made more representative of the interests concerned, since it is to be confined to stock brokers (8 members) and to bankers (4 members). Merchants can no longer be members. The powers of the committees are expanded and more clearly defined.

Persons desiring to be stock brokers must pass an examination and must possess a capital of 7,500 Egyptian pounds. New companies wishing their shares listed must have a minimum capital of 75,000 Egyptian pounds, and if the nominal value of the shares does not exceed 4 Egyptian pounds, the capital must be entirely paid up. If such a company's shares were not publicly offered, five satisfactory balance sheets must be produced.

IRAQ

(The monetary unit is the dinar, divided into 1,000 fils.

The dinar has a par value of approximately \$8.2397)

Iraq's Finances Improve (Vice Consul Geo. W. Renchard, Bagdad, 1/15/34)

Iraq's prospect of a balanced budget for the second successive fiscal year is attributed to increased customs collections and to the realization of greater returns from agricultural taxes as a result of healthier financial and agricultural conditions within the country.

Customs and excise receipts increased from 937,649 dinars for the first half of the fiscal year ended September 30, 1932, to 965,390 dinars in the corresponding period of 1933. These receipts account for more than 50 percent of the general revenue of the Kingdom.

The 1933-34 budget provides for the payment on March 31, 1934, of the final installment, amounting to 63,500 dinars, of the residual amount of Iraq's share of the Ottoman debt. When this payment is made, Iraq will have no external or internal debt.

Money Market Conditions (Vice Consul Geo. W. Renchard, Bagdad, 1/15/34)

The three banks, the Eastern Bank, Ottoman Bank, and Imperial Bank of Persia, control discount rates, subject to the competition of money lenders. The ruling discount rate was 4 percent in 1933, as against 5 percent in 1932. There appears to be ample money existing for trade requirements. No important bankruptcies were reported during the year.

Currency Report (Vice Consul Geo. W. Renchard, Bagdad, 1/15/34)

The national currency which was introduced on April 1, 1932, became the only recognized legal tender in Iraq on October 1, 1933, and all commercial transactions were thenceforth required by law to be negotiated in Iraqi currency.

On November 30, 1933, the total currency in circulation was 2, 898,360 dinars, of which 411,700 dinars were in silver coins, 44,550 in nickel coins, 10,000 in bronze coins, and 2,432,110 in notes. The Currency Reserve Fund was £2,868,084 on November 30, 1933.

JAPAN

(On February 10, one yen = \$0.2972)

Writer in Japan Surveys Financial Structure (Trans-Pacific, 1/11/34)

In an article in Trans-Pacific of January 11, Mr. Burton Crans writes: "Inflation and Government relief measures have done nothing fundamental to help the farming classes. Debts still constitute a tremendous burden. Taxes remain inequitable. Prices of farm produce have risen so slightly that they barely cover normal costs of production (without debt service).

"Sooner or later taxes will have to be increased in order to bring the budget into some kind of balance. While prices and wages are turning gradually upward, the purchasing power of the country shows no signs of approximating the inflated budget for some years to come. The budget expenditures for 1932-33, and 1933-34, and 1934-35 together average about 76 percent above receipts. Wages in this country have been rising ever since August, but today they stand only at the 1931 average. Perhaps the farmers are a trifle better off than in 1931. Certainly the reduction of unemployment has increased urban purchasing power. But purchasing power has a long way to rise before it can bear the taxes which current budgets are making inevitable.

"Banks have been taking too large a share of the budget-deficit bonds. Roughly speaking, their holdings of central government bonds, local government bonds, debentures, and stocks amount to about 50 percent of their deposits. Money rates are low, and so far there is no outspoken distrust of Government issues, but how long can this situation last?

"Discounts by all the banks in Japan are lower than they have been since the autumn of 1931. Total advances are as low as they have been since 1923. What will happen when business begins to ask and get more generous accommodations? Something like this: The banks will stop going into the market for new

Government issues. Perhaps they will try to sell their present holdings to a limited extent. But the banks, plus the trust and insurance companies, hold well over 50 percent of the interest-bearing securities listed in Japan and possibly 70 percent of the central Government's obligations. In the best of circumstances, this will mean that the Bank of Japan and the Deposits Bureau will have to take what new budget-deficit bonds are issued. In circumstances normally to be expected, the Bank of Japan will have to step in to buy bonds and support the bond market. There is no general public capable of breaking the decline.

"Taxes must be increased sooner or later. To keep the farm situation from growing even worse, the incidence must fall most heavily upon urban workers, industry, trade, and finance."

Cabinet Announces Colonial Special Accounts (Japan Weekly Chronicle, 1/4/34)

The estimates of the special accounts for the next fiscal year have been determined by the Cabinet, according to which the loan issues in the special accounts aggregate 95,978,000 yen, a decrease of 12,000,000 yen compared with the current fiscal year.

Concerning the more important special accounts, the following figures are given:

(In thousands of yen)

	Revenue from loans	Other revenue	Expenditure
Government-General of Korea	29,473	220,628	250,107
Government-General of Formosa	-	110,737	110,737
Kwantung Government	-	22,911	22,911
Karafuto Government	3,500	22,429	25,929
South Seas Government	-	5,638	5,638
St. railways capital account	48,000	73,633	121,633
Communications business capital account	15,000	20,813	35,813

Japan May Devalue the Yen (Minister Joseph C. Grew, Tokyo, 1/22/34)

The stock market has been temporarily active as a result of the announcement of the currency devaluation plan of the United States Government. The interpretation of the step by the Japanese Finance Minister in a recent statement implies possible devaluation of the yen.

Mitsui to Invest in Manchukuo Soon (The Trans-Pacific, Tokyo, 1/18/34)

The Mitsui Bomei Kaisha is reported to have decided to invest 10,000,000 yen in industrial exploitation in Manchukuo, according to a Nippon Dempo dispatch from Changchun. The investment is for river improvement, water works, emigration, water power for electric generation as well as other enterprises. With the development of Manchukuo, the capital of the new State, Changchun, is planned to be made a metropolis with population of a million. The plan is also on foot to establish in Changchun a large warehousing company under joint investments from Mitsui, Mitsubishi, and Sumitomo, Japan's "Big Three" business

interests. Initial capitalization will be 5,000,000 yen. Representatives of these concerns are visiting Manchukuo for investigation.

Small Banks Absorbed (Japan Weekly Chronicle, 12/28/33)

Steady progress is being made in the readjustment of provincial banks in temporary suspension, through assistance by the Department of Finance. The Government policy is to have these banks absorbed by leading banks in their localities.

Koike Bank and Securities Company Merge (Trans-Pacific, 1/4/34)

The Koike Bank, in Tokyo, will be merged with the Koike Securities Company after formal sanction comes from the Finance Ministry. The merger takes place on March 1, 1934. The bank was founded in 1886 and the securities company in 1929.

Bank of Taiwan Will Sell 220,000 Kobe-Steel Shares (Trans-Pacific, 1/11/34)

The bank of Taiwan, which last ~~year~~ sold 100,000 of its Teikoku Rayon shares to life-insurance companies and cotton-yarn traders, has decided to sell 220,000 of its 270,000-shares holdings of Kobe Steel Works. The Kobe Steel Works, Ltd., was formerly operated by the now defunct Suzuki Shoten, Kobe. Since the latter's failure in 1927, it has been managed by the Bank of Taiwan, its largest creditor. The company is capitalized at 20,000,000 yen. The bank was its largest shareholder. Owing to the unusual activity of the munitions industry since 1932, the company has prospered.

The bank of Taiwan plans to repay the outstanding balance of 12,000,000 yen on its special loans contracted with the Bank of Japan in 1927, thereby liquidating its obligation in this respect.

Securities Concerns Show Interest in Trust-Company Business (Trans-Pacific, 1/11/34)

The Yamaichi Security Company has decided to take over the Chiyoda Trust Company. The Chiyoda Trust Company is capitalized at 10,000,000 yen, one quarter paid up. The purchase of Chiyoda Trust Co. by the Yamaichi Security Co. is regarded as an indication of the activity of security companies in the trust business.

Tokyo Gold Prices Increase (Commercial Attache Frank S. Williams, Tokyo, 2/3/34)

In Tokyo, gold prices have increased to 12.40 yen "selling" and 11.80 "buying".

NETHERLAND EAST INDIES

(On February 10, one florin = \$0.6602)

Oil Concession to Japanese (Minister Laurits S. Swenson, The Hague, 1/10/34)

The law granting an oil concession in West Java to the Sadjira (Japanese) Petroleum Company has been enacted. The text of the contract appears in the Law Bulletin of December 27, 1933, as law No. 680.

There appear to be no unusual features in the concession, the granting of which is not inconsistent with the restrictive oil policy announced in January of 1931.

NEW ZEALAND

(On February 10, one pound = \$4.0142)

New Zealand's Budgetary Policy (Australasian Insurance and Banking Record, 12/21/33)

New Zealand's budgetary policy is based upon the optimistic view that the economic tide has turned in the world, and therefore it is safe to mortgage the future a little further while the depression lasts. Consequently, the current year's budget is fashioned to produce not a surplus, but a deficit of £2,094,000 after having leaned on reserves for another £2,000,000. As, however, the annual deficit is brought about by the repayment of £1,366,000 under the statutory debt-repayment scheme, the increase in the debt as a result of the year's operations will be about £750,000, or, without the aid from the reserves, £2,750,000. Provided the recovery is maintained and the tempo of recovery is high enough, this policy of cushioning the full impact of the depression is to be commended. In this uncertain world of today, forecasting is a risky business; but at least the New Zealand Government will err in good company, if it does err. The British Treasury has adopted the optimistic outlook, and the Governments of the Commonwealth of Australia and New Zealand have followed suit. In view of the expertness of the British Treasury and the dependence on the British markets, the conduct of both Australia and New Zealand for the current year need not be caviled at.

Payment of External Loans (Consul General Calvin M. Hitch, Wellington, 12/28/33)

The recent decision of the House of Lords in which it was held that the Adelaide Electric Supply Company could pay the interest on its bonds held in London in Australian currency instead of in London exchange, has created widespread interest in New Zealand and other British Dominions.

It will be recalled that some months ago the Auckland Transport Board and the Southland Power Board announced their intention to pay in New Zealand funds, maturing interest on bonds held in London. This action precipitated considerable discussion between the Dominion Government and interested local bodies, and the Government concluded that it would be in the national interest for all its obligations held in London to be paid in sterling, regardless of the terms of the contract. As some of the local bodies in New Zealand were not disposed to follow the Government's lead in this respect, an act was passed at the last session of Parliament making it obligatory to pay both the interest and the principal in sterling on bonds held in London.

The decision of the Court of Appeals in what is known as the Broken Hill case was cited an ample precedent for this action, but it now develops that the decision of the House of Lords in the Adelaide Electric Supply Company case overrules the decision in the Broken Hill case.

In view of the decision of the House of Lords, it is probable that an interesting situation in New Zealand may develop.

Many of the local bodies whose obligations are held in London will doubtless contend that under this decision their obligations, both principal and interest, could have been paid in New Zealand funds instead of in London exchange, had it not been for the action of the New Zealand Parliament in passing a law making it obligatory for the payment in sterling. It is therefore probable that some of them will rely upon the decision of the House of Lords and refuse to pay their obligations in London exchange. In that event, the question arises whether the Dominion Government would be responsible for the difference of 25 percent in value as between New Zealand and London exchange. A strong argument in favor of the local bodies would be that this difference in exchange is the direct result of the action of the New Zealand Government in arbitrarily fixing the exchange rate.

New Zealander Comments on Central Bank (Australasian Insurance and Banking Record, 12/21/33)

One aspect of central reserve banking which requires special attention is the function of a central institution in regulating credit and checking tendencies to excessive speculation or expansion of business beyond what is warranted by underlying circumstances. The subject was touched upon by Mr. Norman, Governor of the Bank of England, in the course of his evidence before the Royal Commission on Indian Currency and Finance, in which he said: "It would further be the duty of a central bank to effect, as far as it could, suitable contraction and suitable expansion, in addition to aiming generally at stability, and to maintain that stability within as well as without."

During the session of the New Zealand Parliament, Mr. W. Downie Stewart remarked on November 16: "Too much emphasis has been laid on the idea that the Reserve Bank will always expand credit and lower interest rates. One of the most important and unpopular and difficult tasks of a Reserve Bank is when necessity arises to restrict credit, and hence the importance of its freedom from political control."

Gold Exports Prohibited (Consul General Calvin M. Hitch, Wellington, 12/28/33)

In view of the fact that all the gold coin and bullion in New Zealand will soon be taken over by the new Central Reserve Bank, the Government has concluded that from and after December 6, 1933, the export of gold coin from New Zealand shall be prohibited except where a specific permit from the Minister of Finance has been issued. Previously passengers and others had been permitted individually to take out of the country, without a permit, gold coin up to the value of £5. This privilege has now been directed to cease, in order that no gold coin may be taken out of New Zealand by passengers and others in contravention of this arrangement.

PERSIA

Eighth Annual Balance Sheet of the Pahlavi Bank*

(The Finance and Investment Division has received a report under the above title, from Charge d'Affaires George Wadsworth, dated Teheran, 12/26/33).

UNION OF SOVIET SOCIALIST REPUBLICS

(The monetary unit is the chervonets, consisting of 10 rubles.

The chervonets has a par value of approximately \$8.7127)

Vladivostok Bank Reported Demanding 75 Sen Ruble on Fishing Rights
(Trans-Pacific, 1/4/34)

The Foreign Office has been informed by the Consul General at Vladivostok, it was reported by Rengo, that the National Bank of Vladivostok is demanding that Japanese pay for fishing rights at an exchange rate of 75 sen to the ruble. The bank reportedly explained that it was acting on instructions from Moscow.

The news service added that the Foreign Office had decided to act in the matter directly with Moscow, rather than attempt to negotiate locally, and that it had instructed the Embassy at Moscow to demand that the Soviet Government revoke its order to the Vladivostok banks, if such order had been issued. The Japanese paying for fishing rights reportedly demanded an exchange rate of 32½ sen per ruble, which was fixed between Japan and Russia for the fishing rights payments in 1931.

Grosvenor M. Jones, Chief
Finance and Investment Division.

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

No. 153

FAR EASTERN FINANCIAL NOTES

March 5, 1934

Subscription to European Financial Notes, Far Eastern Financial Notes, and Latin American Financial Notes, each, \$1.00 per annum.

FAR EASTERN FINANCIAL NOTES

NOTE - In citing foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for statements or opinions quoted. Documents marked with an asterisk (*) may be secured for loan upon application to the Finance and Investment Division. In requesting such documents, please refer to this issue of F.E.F.N. (No. 153) and cite the page number of the item desired.

Exchange Rates, 1933. - Attention is invited to Commerce Reports of January 13, 1934, which contains a table showing the average paper-dollar and gold-dollar value of the principal foreign currencies during each month of 1933, together with annual averages for 1932 and 1933, also the price of gold and silver. The Finance and Investment Division has a few reprints of this table. If you wish to receive a copy, please write us promptly.

AUSTRALIA

(On February 24 one pound = \$4.0425)

Business in Australia Improves (Consul General John K. Caldwell, Sydney, 2/7/34)

The favorable general trend continues and the outlook is the most auspicious since the start of the depression. Continuation of good rains lends optimism, as does the continued highly satisfactory agricultural production. While a great part of the improvement is due to readjustments, business has received impetus from higher wool prices. Owing to the predominance of wool the weighted export index for January was 841, as compared with 556 in January of last year and 755 in December. Apart from wool, January export prices were slightly below the January 1933 level. Hence, there is the possibility of a slight business reaction should wool decline materially.

A semiofficial estimate of the value of Australia's exports this fiscal year is 95,000,000 pounds Australian, including gold. Last year it was 84,700,000.

Public Finances (Consul General John K. Caldwell, Sydney, 2/7/34)

The combined deficit of the Federal and State government for the first half of the fiscal year is £ Australian 6,000,000, as compared with £A 5,500,000 in the corresponding period of the last fiscal year. Gold production in 1933 was 305,000 ounces, as against 704,000 in 1932.

(Over)

The Progress of Recovery (Monthly Summary of Australian Conditions for December 1933, the National Bank of Australasia, Ltd.)

A year ago we ventured an opinion that the trough of the depression in Australia had been passed, and that the year 1933 could be looked forward to with more hope and confidence than its immediate precursors.....

It is pleasing to record that, during the intervening 12 months, further progress has been made, not in isolated sections of our economic structure, but, apart from wheat, in every section. The political situation has changed little, excepting in New South Wales, where a new Legislative Council has been elected, under the conditions provided by an act of the State Parliament passed in September, 1933. This was a necessary reform, improving the efficiency of the parliamentary institutions of that State.

Industry in general is adjusting itself further to the changed conditions, and, as a result, profits are improving and losses are being either substantially reduced or else profits are being shown.....

Adverse factors are not considered potent enough to constitute any marked bar to national progress. The major problems of the time are based on the uncertain conditions ruling in countries overseas. Australia, a debtor country, relies largely upon oversea markets for its primary products; consequently the continued narrowing of markets and shrinkage in world trade forms a menace to the well-being of a large proportion of its people, and, through them, of the community as a whole. It can only be hoped that the nations will see the political and economic folly of the policy of self-sufficiency, and that, before long, markets will be unlocked, and trade expand to the manifest advantage of all.

BRITISH INDIA

(On February 24 one rupee = \$0.3815)

Operations of the Imperial Bank of India for the Six Months Ending 12/31/33
(Trade Commissioner C. E. Christopherson, Calcutta, 1/16/34)

Local newspapers report the operations of the Imperial Bank of India for the 6 months ended December 31, 1933, resulted in profits of 6,385,200 rupees, including 2,694,800 rupees carried forward from the previous 6 months. This total was disposed of as follows:

	<u>Rupees</u>
Payment of a dividend of 12 percent per annum free of income tax	2,375,000
Transferred to Reserve Fund	250,000
Transferred to Pension Fund	74,500
Carried forward to next half-year	<u>2,685,000</u>
	6,385,500

The average rate for demand loans during the half year was $3\frac{1}{2}$ percent.

New Finance Minister to be Appointed (Trade Commissioner C. E. Christopherson, Calcutta, 1/17/34)

It has been announced in the press that Sir Percy James Grigg, chairman of the British Board of Inland Revenue, has been appointed Finance Member of the Viceroy's Executive Council, in succession to Sir George Schuster, who vacates his office after the termination of the winter session of the Assembly.

Sir Percy Grigg appears to be practically unknown to Indian officials, and there has been considerable press comment and speculation regarding his appointment. There seems to be some surprise that he should leave his high position in London to accept an appointment in India, which it is thought may not continue for more than 2 years if the White Paper reform scheme goes through. The press suggests that he may have an assurance of high appointment in England after a period in India, or that it may be the intention to appoint him the Viceroy's financial adviser under the new constitution. As Sir George Schuster will leave in April, it is believed that much of the work preparatory to establishing the new reserve bank will fall to Sir Grigg.

Imports of Silver into Bombay During December, 1933 (Vice Consul Paul C. Hutton, Jr., Bombay, 1/16/34)

The following figures show the imports of silver into Bombay during December, 1933:

Country of origin	Quantity (ounces)	Value (rupees)
Bahrein Islands	2,415	6,500
Hong Kong	9,662	26,000
Iraq	65,872	177,258
Muskat Territory and Trucial Oman	4,645	12,500
Other Natives States in Arabia	35,990	91,449
Total	118,584	313,707

CHINA

(On February 24 one yuan = \$0.3508).

The Chinese customs gold unit is now equivalent to about 67.73 cents gold.)

China's Revenue from Trade. (Finance and Commerce, 1/17/34)

Although the value of China's trade in 1933 declined by approximately 18 percent in comparison with 1932, there was an increase of around 10 percent in the Government's revenue from that trade. This increase may be attributed entirely to the revision in the tariff enforced last Spring and shows clearly the very heavy burdens which the smaller volume of trade is now called upon to bear. These burdens, however, are not evenly distributed.

The customs revenue last year was derived from:

	<u>Yuan</u>
Import duties	265,610,000
Export duties	23,245,000
Interport duties and surtax	18,003,000
Tonnage dues	4,402,000
Revenue surtaxes	<u>14,127,000</u>
	325,387,000
 Flood relief surtaxes	 <u>14,135,000</u>
	<u>339,522,000</u>

For purposes of comparison the revenue of 1932 is given below. The figures are not exact, but they are sufficiently accurate to show the changes which have taken place under the various headings.

	<u>Revenue 1932</u>	<u>Yuan</u>
Import duty		233,000,000
Export duty		26,000,000
Interport duty and surtax		20,000,000
Tonnage dues		4,000,000
Revenue surtax		<u>5,000,000</u>
		288,000,000
 Flood relief surtaxes		 <u>18,000,000</u>
		<u>306,000,000</u>

In 1932 the foreign loan and indemnity obligations secured by customs revenues were met at a cost of 70,592,508 Shanghai taels, or roughly 98,000,000 yuan. In addition, the National Loans Sinking Fund Administrative Commission absorbed 103,200,000 yuan, making a grand total of 201,000,000 yuan. A moratorium was granted by the American and British Governments on their share of the Boxer Indemnity in 1932, but these payments last year had to be resumed. That the money is ultimately spent for the benefit of China does not alter the fact that it has to be provided. The amounts were 596,481 pounds sterling for Great Britain and \$1,919,967 (U. S.) for America. The final payment on account of the Anglo-German loan of 1896 was made in 1932, but as against the reduction thus effected in payments for 1933, the requirements for the domestic loan account have increased by about 15,000,000 yuan. It is obvious, therefore, from a most cursory examination of the figures, that out of the revenue of 325,000,000 yuan, fixed obligations will account for something approaching 250,000,000 yuan, and that, after deducting collection charges, a very small surplus indeed will remain for Government expenditures.

Another 100,000,000 Yuan Loan (Finance and Commerce, 1/17/34)

When China's domestic loans were reorganized 2 years ago and the rates of interest reduced with the consent of the bondholders, there was a general understanding that no further loans should be floated for a period of 4 years unless under the stress of urgent necessity. Apparently the time of necessity has now arrived, for two new loans of 100,000,000 yuan have been authorized within a

comparatively short period; the second one, which is known as the 23rd Year Customs Treasury Notes, being sanctioned by the Legislative Yuan last week.

Both loans are being used as security for debts owing by the Government to the Chinese banks. They do not come on the market immediately but will be sold in due course when circumstances are propitious. They rank with the older domestic issues in all other respects and, like them, are secured by the customs revenue.

In his support of the loan policy, Dr. H. H. Kung pointed out that, owing to financial stringency, the Government had in recent years borrowed considerable sums from the banks in Shanghai and, as the Government was not in a position to repay these loans at present, he recommended that the Treasury notes be deposited with these banks so as to ensure the gradual liquidation of outstanding obligations.

This, of course, was the argument advanced on the previous occasion. Provided it is not used so frequently as to develop into a habit, perhaps no great harm will be done, but it is curious to note that only two days previously Dr. Kung informed press representatives that "the financial situation of the Government was gradually becoming stable."

The domestic bond market did not receive the news of this second loan very kindly at the outset, and quotations, which were gradually recovering from the feeling of uncertainty caused by the Fukien revolt, were marked down again. (There follows in the Commerce and Finance article a translation of the regulations covering the new loan.)

Loans Advanced to the Government (Consul General Edwin S. Cunningham, Shanghai, 2/20/34)

Chinese banks have lent the Central Government 44,000,000 yuan secured by the Italian Boxer Indemnity refund.

Review of Banking in Central China during 1933 (Vice Consul Reginald P. Mitchell, Hankow, 1/5/34)

Finance in the Hankow area suffered during 1933 from the chronic disturbing factors evident in other years, including excessive issuance of currency by native banks, taxation, and the heavy burden of continuing warfare in various parts of this region.

Banking facilities, however, expanded considerably during 1933, the principal development in native circles being the establishment of the Agricultural Bank of the Four Provinces early in 1933 by General Chiang Kaishih. The bank operates in Hupeh, Honan, Kiangsi, and Anhwei, with Hupeh the center of activity. The capital was announced as 10,000,000 yuan and was subscribed by the National Government, provincial governments and merchants.

The bank has issued an undetermined amount of currency. In December it established additional branches and loan agencies in the interior, ostensibly to facilitate rehabilitation loans to farmers.

(Over)

Among other financial institutions, the Central Bank of China established branches at several interior points, apparently reentering areas vacated during former troubles. Five branches were established by local banks along the Peiping-Hankow Railway in southern Honan to aid the sesame trade.

The Agricultural Bank of the Four Provinces and various other Chinese banks -- including the Bank of Communications, the Hupeh Provincial Bank, and the Yu Min Bank of Kiangsi -- were reported to have issued considerable amounts of currency in this area in 1933. New issues of currency by other groups, including the Szechwan military regime, also were reported.

Banking activities of both foreign and Chinese financial institutions improved their condition during the last part of 1933, and several Hankow banks initiated construction of new bank buildings as permanent quarters.

Credit was less stringent than in 1932.

Produce Exchange Reorganized (Vice Consul T. L. Lilliestrom, Harbin, 1/8/34)

The Chinese-owned Produce Exchange came under Japanese control in the summer and was reorganized. The Produce Exchange has functioned in Fuchiatien, the native city adjoining Harbin, for several years past as a joint-stock organization deriving its profits from brokerage on trades made through and guaranteed by the exchange, and has shown annual dividends ranging around 12 percent. The old exchange was dissolved with the September "settlement". The new exchange is a going Japanese-"Manchukuo" enterprise with a capital of 2,000,000 kuo pi, half paid up. Of its 40,000 shares, holders of shares in the old exchange received 8,000. The remainder was distributed among the South Manchuria Railway Company and business interests at Harbin, Dairen, and other cities along the South Manchuria Railway.

Manchurian Currency Reform Progresses (Vice Consul T. L. Lilliestrom, Harbin, 1/8/34)

The new currency, kuo pi, gained in popularity and strength during the year, and the process of redeeming bank notes issued during the old regime was carried on in a satisfactory manner. According to official information published on December 16, 1933, up to November approximately 103,520,000 yuan or 7.28 percent of these old notes had been withdrawn from circulation, leaving a balance of 38,700,000 yuan to be redeemed by the end of June 1934. Many firms in the district began to carry their accounts in kuo pi, and this currency was freely accepted everywhere.

Mint Operations Reviewed (China Annual Report of Trade and Industry for 1933, Shanghai, 1/20/34)

The Central Mint at Shanghai, as reorganized under the direction of an American mint expert, last July commenced coining new yuan. The mint is coining about 200,000 yuan a day. It is also minting a standard silver bar, 0.999 fine, worth 1,000 yuan each, for bank use. The Canton mint continues to coin 20-cent subsidiary coins which are accepted at about 20 percent discount. However, the Kwangtung authorities are seriously considering the introduction of the yuan so as to put the currency there on a par with that of the National Government. The National Government is working on a plan to mint subsidiary coins.

China's Silver Stock (China Annual Report of Trade and Industry for 1933, Shanghai, 1/20/34)

According to estimates made by E. Kann, the aggregate silver stocks in China, including Hong Kong, are the equivalent of about 2,250,000,000 troy ounces, of which total, 1,800,000,000 are estimated to be coin. In Shanghai banks stocks at the end of 1933 reached the unprecedentedly high level of the equivalent of 540,000,000 yuan, compared with 443,000,000 yuan a year ago and 276,000,000 two years ago. Less silver than usual went into the interior during the autumn of 1933 for crop-financing, on account of lessened demand. Estimates of bank stocks of silver in Hong Kong are 140,000,000 yuan; Tientsin, 50,000,000; and Hankow, 630,000,000. Owing to these large surplus stocks, banks have had to cut interest paid on deposits and in some cases are allowing no interest on credit balances in current accounts. The investment markets abroad are not inviting, owing to currency uncertainty. Thus large sums have been going into domestic building construction.

Imports of Silver Bullion into Shanghai from Foreign Countries during December 1933 (Consul Richard P. Butrick, Shanghai, 1/20/34)

The following figures cover imports of silver into Shanghai during December 1933:

<u>From</u>	<u>Article</u>	<u>Troy ounces</u>
Hong Kong	Bars	195,650
U.S.A.	Bars	1,949,882
Hong Kong	Broken coins	226,773

Enthronement Expenses in Manchuria are Heavy (Trans-Pacific, 2/1/34)

According to a Rengo dispatch from Changchun: "Manchukuo will spend 2,879,983 yuan for the enthronement ceremonies of March 1."

* - Note two items on JAPAN
Japan on page 15. (On February 24 one yen = \$0.2989)

Government Budget Accounts as of November 30, 1933 (Commercial Attache Frank S. Williams, Tokyo, 1/12/34)

Total revenues through November 1933 amounted to 1,006,908,000 yen and expenditures to 1,145,826,000 yen. Tax revenues amounted to 356,671,000 yen, or 24,340,000 yen more than for the corresponding period of the previous year. This marked increase in revenues from taxation is a reflection of improved economic conditions.

Outstanding Bond Issue Large at Year End, but Money is Easy (Commercial Attache Frank S. Williams, Tokyo, 1/12/34)

Government bonds issued during the current fiscal year total about 700,000,000 yen, with 310,000,000 yen more to be disposed of prior to the end of the year, March 31, 1934. During the fiscal year 1935, 785,000,000 of new bonds

(Over)

for the Government's general account are to be issued, together with 120,000,000 yen for special account, or about 900,000,000 yen in all. It is presumed that the Bank of Japan will take all these new bonds and dispose of them as current financial conditions allow. The major question involved is the effect such large new issues will have on the prices of bonds already outstanding. Government authorities seem confident that the money market will be able to absorb the new issues without adverse effects on the bond market, their forecast being based upon the increase in idle funds, the resources of the Deposits Bureau, and the Bank of Japan's bond holdings, at present approximating 400,000,000 yen.

Government authorities have considered the possible "competition" with Government bonds which may be offered by industrial bonds and debentures. Government 4 percent bonds are yielding about 4.1 or 4.2 percent, while $4\frac{1}{2}$ percent industrial debentures are bringing about 4.2 or 4.3 percent. The latter are subject to income tax and other deductions, which lowers their yield to approximately that of Government bonds. It is not anticipated, therefore, that the sale of industrial debentures will materially affect the price of Government bonds, particularly in view of the reduced demand from large industrial interests for new capital.

Japanese Finance in 1933 Reviewed (Commercial Attache Frank S. Williams, Tokyo, 2/3/34)

The following brief review of Japanese finances in 1933 may prove useful for reference purposes.

The definite improvement in the general financial situation during 1933 is attributed to (1) increased industrial activity, particularly in the export manufacturing and munitions industries; (2) economic expansion in Manchuria; (3) expanded Government expenditures based upon extensive borrowing; (4) policy of the Bank of Japan of regulating its sale of Government securities; (5) plentiful supply of money; (6) the foreign-exchange control law, which became effective May 1 and checked the flight of capital.

Government finances were in a fairly healthy condition at the end of the year. The draft budget for 1934-35, as approved by the Cabinet on December 2, 1933, totaled 2,112,000,000 yen, which, with necessary additions, is estimated to bring the total to only 70,000,000 yen, approximately, above the 1933-34 budget. No difficulty was experienced in disposing of 700,000,000 yen worth of bonds during the first three quarters of the fiscal year which ends March 31, and Government authorities anticipate a ready market for 900,000,000 yen worth of bonds called for in the 1934-35 budget. The Ministry of Finance expects an increase in revenues during 1934-35 of approximately 122,000,000 yen. The national debt at the close of 1933 amounted to 7,821,000,000, an increase of 1,273,000,000 yen during the year. The total was a record high figure.

The money market in 1933 was characterized by an easy tendency continued from 1932. Bond issues were floated not only for the Government, but for industry, which took advantage of the favorable interest rates to convert outstanding issues and secure necessary additional funds for expansion. In general, demand for new industrial capital was not pronounced, and bond issues were confined largely to the rayon, munitions, coal mining, and cement industries.

Reflecting this easy money situation, bank deposits experienced large gains, while loans declined, particularly during the last quarter of 1933. Interest rates naturally declined. The Bank of Japan's "highest" rate declined from 5.11 percent on December 31, 1932, to 4.38 percent on December 31, 1933, and its "lowest" from 4.38 percent to 3.65 percent.

Bank shares participated in the upward trend of stock values. A tendency of banks to increase dividends was indicated, but the Government discouraged that step on the ground that bank surpluses should be held in reserve as a matter of caution.

The value of the yen in terms of both sterling and the franc was decidedly weak throughout the year. On the other hand, the yen-dollar rate rose from 20½ cents to 30 5/8 cents -- a jump of 10¼ cents, or 50 percent. The average rate during the year was 25.42 cents, compared with 28.32 in 1932. The low was 20 1/8 cents on February 27 and the high was 31.25 cents on November 22.

Currency outstanding remained at a high level throughout the year, but was particularly large during the last quarter, as a result of augmented bond and debenture offerings, heavy foreign-trade demands, and preparations for the year-end settlements. On December 31, 1932, the note issue of the Bank of Japan was 1,426,000,000 yen. By June this had diminished to 1,270,000,000 yen, but by December 31, 1933, the total reached 1,545,000,000 yen, or the highest since 1929.

Stocks experienced a continued upward trend, though characterized by weakness and irregularity during the first quarter, as a result of disturbed financial conditions in the United States, unsettled political conditions at home and abroad, declining raw silk prices, smaller exports of cotton yarns and textiles, and a reaction from the too rapid advance during the latter part of 1932. A definite upward trend in securities prices was evident in April, with the average for May advancing about 3 percent, owing to favorable reports from America, cessation of hostilities in North China, sharp advances in raw silk prices, and higher dividend announcements by important companies. A further gain of 5 percent occurred in June, and the level of that month was just about maintained through July and August, with marked activity in bonds and debentures. Further improvement in business and industrial activity during the last quarter brought the average for December, according to the "Oriental Economist" index, to 103.3 -- an advance of 16.3 points, or almost 19 percent over February.

Kobe's Finances Require Tax Increase (Japan Weekly Chronicle, 1/18/34)

The estimates of the various sections of the Kobe Municipal Office for the next fiscal year are now being closely examined. Expenditures in the ordinary account total 23,597,020 yen, against estimated revenues of 21,760,198 yen. The deficit in revenue thus reaches 1,836,822 yen. How to cover this deficit is naturally engaging the serious attention of the Mayor. It is said that the city's share in the prefectural expenditure amounting to 300,000 yen, the redemption of municipal debts, principal and interest, amounting to 900,000 yen, and the increased school expense account largely for this big revenue deficit.

(Over)

The estimates for the next fiscal year compare with those for the present year as follows:

	New fiscal year (Yen)	Present year (Yen)
Expenditure	21,760,000	17,683,000
Revenue	23,597,000	17,683,000

Ultimate Devaluation of Yen is Only Question of Time (Commercial Attache Frank S. Williams, Tokyo, 1/29/34)

As to the future of gold standard in Japan, the Finance Minister has indicated that no immediate action is planned. But other financial authorities have indicated in press interviews that the devaluation of the yen must inevitably come if the United States and Great Britain arrive at some definite agreement on the stabilization of the dollar and the pound. On January 25, in reply to a question in the Diet, the Minister of Finance is reported to have stated: "The policy to effect devaluation of the yen was decided upon at the time of the reimposition of the ban on gold shipments. It is not a question whose advisability should now be made a subject of discussion, but as to the actual time and method of devaluation we are not as yet decided. Regarding the rates of devaluation, there are several possibilities, namely, whether the yen should be based on the dollar or the pound. Supposing that the dollar basis is adopted, what would be done if a second devaluation of the dollar is carried out? Under such circumstances no predictions should be made as to this question. I shall indicate clearly to the people about devaluation when world conditions require devaluation."

Ordinary Banks Number 516 (Commercial Attache Frank S. Williams, Tokyo, 1/13/34)

On December 31, 1933, there were in Japan proper 516 ordinary banks and 85 savings banks, according to unofficial information.

Banking Reports Favorable (Commercial Attache Frank S. Williams, Tokyo, 1/12/34)

Reports of practically all the leading banks of Japan for the second half of 1933 show substantial improvement. This is ascribed to low interest rates on deposits since July 1, 1933, profits from sales of securities, and increases in commissions from underwriting debenture issues. It is pointed out that the leading banks have adopted the policy of placing most of their profits in their reserve accounts rather than distributing them to shareholders.

No Exchange Stabilization Fund Planned in Japan (The Trans-Pacific, 2/1/34)

The Finance Ministry is considering a gold-buying fund, but the Finance Minister denies that its purpose would be to control exchange rates. Even if that were desired, it would be impossible to create anything to match Great Britain's and America's funds. The gold holdings of Japan are small. The reserve of the Bank of Japan has remained at 425,000,000 yen, to which it was reduced at the time of the replacement of the gold embargo. Increased gold production at home, encouraged by the high price of gold, has hardly covered the exchange difference the Government has had to pay. The new gold has all been exported.

Japanese Reaction to the President's Currency Message of January 15
(Commercial Attache Frank S. Williams, Tokyo, 1/22/34)

In financial and trade circles intense interest was shown in President Roosevelt's message to Congress, particularly that part dealing with revaluation of the dollar. When the news arrived, rumors were rife that the yen would jump to around 35 cents and that Japan would of necessity take immediate steps to devalue it. Of course, all these rumors proved baseless, as the first impression of the President's policy was entirely erroneous.

In a press interview on January 17 the Minister of Finance, commenting on the effect which President Roosevelt's proposed scheme would have upon Japan, stated that Japan might find it necessary to take a similar step. He emphasized that Japan could not deal effectively with such a question without the cooperation of other countries. As the pound sterling was the principal basis of exchange dealings, the effect upon Japan of the proposed revaluation of the dollar was indirect rather than direct, he said. These comments were interpreted as hinting at devaluation of the yen, but this is not seriously considered at present. Future developments in the international money market will influence Japan's action in relation to her currency.

For a day or so after receipt of President Roosevelt's message, the Tokyo and Osaka share markets were very active, gold mining shares being particularly strong. This movement was accentuated by the report that the Department of Finance is preparing to introduce a bill calling for a new gold-purchase policy. While the report regarding the new gold purchase method has been confirmed, the Minister of Finance has indicated that it has no connection with the devaluation of the yen.

Another factor which gave impetus to the stock market was the report that the Bank of Japan may again cut its interest and discount rates. Under existing easy money conditions, open market rates have declined from 7.5 rin per diem minimum and 9 rin maximum, a year ago, to an average of 6 rin per diem, with indications that a level of 5 rin will be reached within a short while. With about 300,000,000 yen worth of Government loans to be floated before March 31, this easy money situation is expected to continue. (One yen = 100 sen = 1,000 rin.)

Bank of Japan's Year-End Statement (Commercial Attache Frank S. Williams,
Tokyo, 1/12/34)

The following is a statement pertaining to the Bank of Japan on December 30, 1933 (in thousands of yen):

Principal Liabilities

	<u>Dec. 30, 1933</u>	<u>Change during year</u>
Note issue	1,598,225	inc. 172,067
Government current deposits	114,583	" 60,519
Other Government deposits	146,278	dec. 70,316
Ordinary deposits	116,310	" 356

(Over)

<u>Principal Assets</u>		
	<u>Dec. 30, 1933</u>	<u>Change during year</u>
Discounted bills	779,553	inc. 148,547
Temporary loans to Government	2,924	dec. 22,543
Foreign exchange loans	147,946	inc. 8,275
Bonds	666,586	" 101,022

Japan's Largest Private Bank (Japan Weekly Chronicle, 1/18/34)

Record deposits for any one private bank in this country have been registered by the Sanwa Bank, recently established in Osaka. When this bank took over old accounts from the 34th, the Yamaguchi, and the Kenoike banks, on December 9, its deposits totaled approximately 990,000,000 yen. It was the general expectation that there would be a drop in this total. But there has been an increase of about 30,000,000.

Department of Finance Against Idea of a Silver Exchange (Japan Weekly Chronicle, 1/11/34)

The view has been finding expression among silver miners here for some time that they should establish a special exchange for silver bullion. It is now reported that these miners expect to submit a formal application to the Government shortly.

According to the Chugai Shogyo, however, the Ministry of Finance is not enthusiastic over the scheme for the following reasons:

1. The exchange is being proposed by the Suiyokai, an association of silver miners, and five or six leading dealers in towns. Its business is liable to be monopolized by a few interested parties.
2. Japan's production of silver is limited. Business on the exchange, therefore, will not amount to much.
3. A rise in the price of silver is liable to have undesirable effects on Japan's exchange on China and consequently on her trade.

The Finance Ministry is, of course, aware that through the establishment of an official quotation on the exchange, it can easily fix the purchase quotation by the mint. It will not necessarily oppose, therefore, the establishment of the exchange. The attitude of the Department of Commerce and Industry, under whose jurisdiction the exchanges come, is still unknown.

Postal Savings Total (Commercial Attache Frank S. Williams, Tokyo, 1/12/34)

Postal savings deposits outstanding on December 28 amounted to 2,801,400,178 yen, and depositors numbered 40,876,194 -- a decrease of 6,890,313 yen in deposits but a gain of 54,053 in the number of depositors during December. The decrease in deposits is attributed to withdrawals to meet year-end settlements.

Exports Gained in January (Ambassador Joseph C. Grew, Tokyo, 2/10/34)

General business conditions are satisfactory. January exports gained 19 percent and imports declined 17 percent, compared with January 1933.

Price Index Unchanged in January (Ambassador Joseph C. Grew, Tokyo, 2/10/34)

According to the Bank of Japan, average wholesale prices in Tokyo during January remained the same as in December.

Gold Quotations Reported (Commercial Attache Frank S. Williams, Tokyo, 1/12/34)

On January 10, the open market quotation on gold bullion in Tokyo was 11.60 yen per momme (selling) and 11.50 yen (buying). (One momme = 3.75 grams.)

Advance in Gold Price Anticipated (Ambassador Joseph C. Grew, Tokyo, 2/25/34)

Authorities predict an early advance in the Government's buying price for gold, now 3.36 yen per momme below the market price. (One momme = 3.75 grams.)

Securities Control Hinted At (Ambassador Joseph C. Grew, Tokyo, 2/25/34)

The stock market is sensitive and cautious since the reference of the Minister of Finance in the Diet to the possibility of governmental control of speculation in the securities market.

NETHERLAND EAST INDIES

(On February 24 one guilder (or florin) = \$0.6705)

Inflation Talk Scouted in Netherland East Indies (Trade Commissioner Charles E. Brookhart, Batavia, 1/16/34)

There is still occasional talk in certain circles of the desirability of devaluing the guilder or in some way depreciating the local currency so as to place Netherland India in a better position to sell its exports in world markets. The most influential group, however, appears to remain convinced that the currency must continue upon its present basis.

On the other hand, since fluctuations in foreign exchange cause real difficulties for both exporters and importers, any development which would guarantee a degree of stability would be welcomed by all. For the past several weeks, American exchange has remained very steady, with local banks selling telegraphic transfer on New York at 1.59 to 1.60.

PERSIA

Biweekly Report on Foreign Exchange (Charge d'Affaires George Wadsworth, Teheran, 1/8/34)

Business in the local foreign-exchange market remained dull during the past fortnight. Demand was moderate. Local banks' selling rates for the dollar varied only slightly, closing on January 8, 1934, at approximately the same rate as prevailed on December 26, 1933. The rates were: December 26, 16.47 rials to the dollar; January 8, 1934, 16.45 rials to the dollar. The pound sterling also showed but little movement.

(Over)

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U.S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U.S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Statistics on Philippine Banking in December (Philippine Economic Conditions, December, 1933)

Banking showed improvement in December. Declines occurred only in investments and net working capital of foreign banks. Improvement was noted in the average daily debits to individual accounts. The Insular Auditor's report shows (in millions of pesos):

	December 31, 1932	November 20, 1933	December 29, 1933
Total resources	219	234	219
Loans, discounts and overdrafts	112	107	112
Investments	51	52	51
Time and demand deposits	120	129	120
Net working capital, foreign banks	17	11	17
Average daily debits to individual accounts, five weeks ending	3.9	4.1	3.9
Circulation	117	120	117

Banking in January (Trade Commissioner E. D. Hester, Manila, 2/17/34)

January banking was featured by a substantial increase in the average daily bank debits. Currency circulation is up, closing the month at 127,000,000 pesos, the highest since June 1932.

Philippine National Bank Makes Payment to Government (Trade Commissioner E. D. Hester, Manila, 2/21/34)

The Philippine National Bank has repaid 1,000,000 pesos to the Government on account.

Land Bonds Redeemable (Trade Commissioner E. D. Hester, Manila, 2/21/34)

Outstanding Philippine Friar Lands Purchase Bonds were redeemed through the War Department on February 1.

Revenue Collections Good in January (Trade Commissioner E. D. Hester, Manila, 2/21/34)

January internal revenue collections at Manila were 15 percent above those of January 1933.

TURKEY

(One Turkish pound = approximately 12.06 French francs,
or on February 24 = \$0.8032)

Revenues Less than Budgeted (Commercial Attache Julian E. Gillespie,
Istanbul, 1/22/34)

Total treasury receipts from June 1 to December 1, 1933, amounted to 97,698,000 Turkish pounds, as compared with 101,209,000 Turkish pounds for the same period in 1932.

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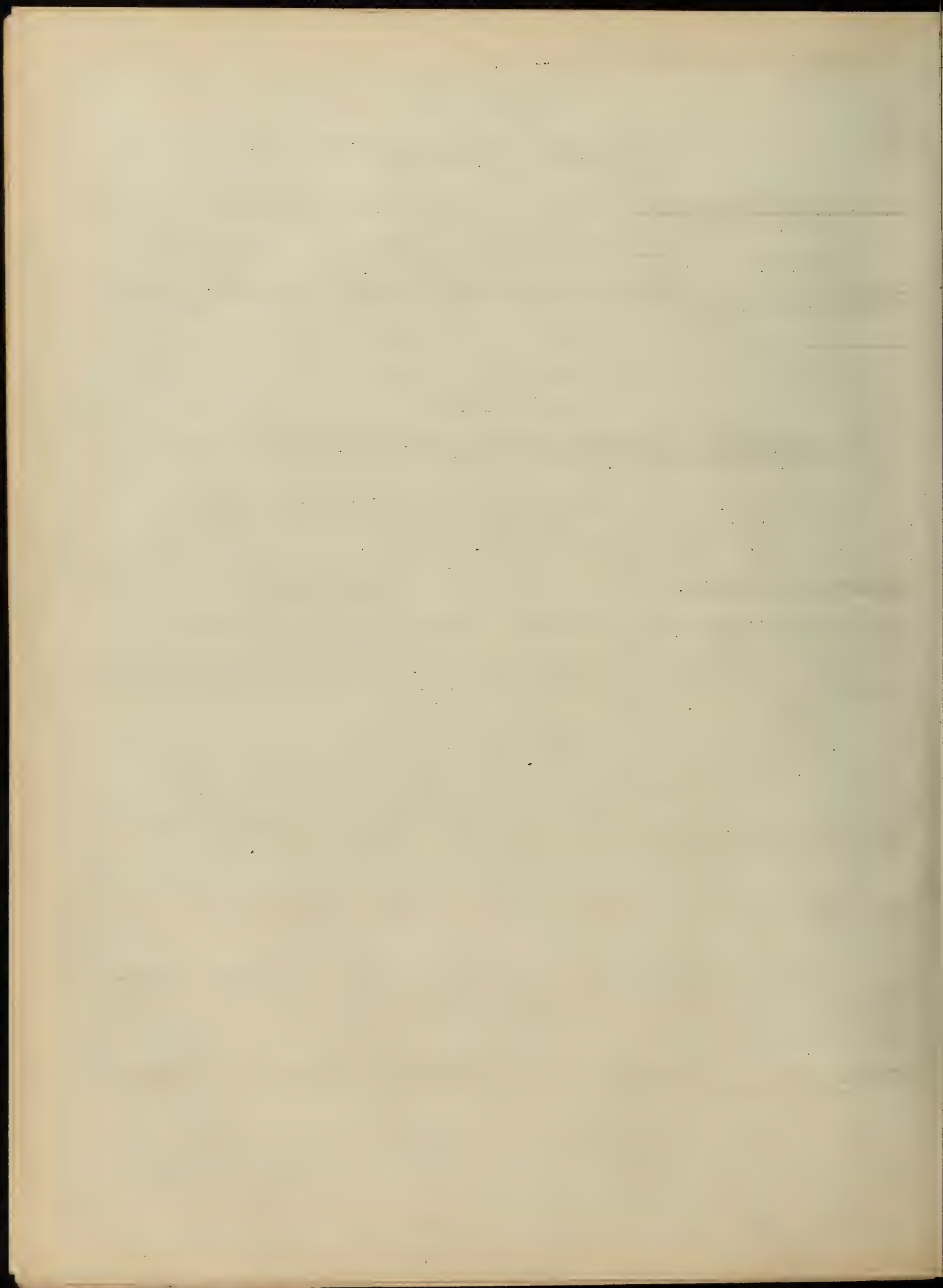
Law Regulating Bills of Exchange, Promissory Notes, and Checks (Commercial
Attache Frank W. Williams, Tokyo, 1/18/34)

The January 11, 1934, issue of the Japan Weekly Chronicle (pages 53-55) contains a short explanation of the new law governing bills of exchange and promissory notes, and that regarding checks. These laws were put in force on January 1, 1934. They were passed some time ago but for various reasons their enforcement was delayed.

Gold Purchase Bill Drawn Up (Ambassador Joseph C. Grew, Tokyo, 2/10/34)

There is no change in the monetary situation. The authorities are discussing a gold-buying bill for introduction in the Diet soon. It will provide for the purchase of gold mined in Japan by the Bank of Japan at the current price, less a charge for incidental expenses. Such gold is to be included in the Bank's reserve at the legal price. The Government is to assume the difference between the legal and the purchase price, this loss to be covered by Government loans to the Bank not in excess of 100,000,000 yen annually. Announcement of this plan raised the open-market selling price of gold to 13 yen and the buying price to 12.40 per momme on February 9. A bullish tone prevailed in the stock market, with industrial shares leading the movement.

Grosvenor M. Jones, Chief
Finance and Investment Division



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DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

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No. 154

FAR EASTERN FINANCIAL NOTES

OCT 29 1934

March 19, 1934

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FAR EASTERN FINANCIAL NOTES

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Exchange Rates, 1933. - Attention is invited to Commerce Reports of January 13, 1934, which contains a table showing the average paper-dollar and gold-dollar value of the principal foreign currencies during each month of 1933, together with annual averages for 1932 and 1933, also the price of gold and silver. The Finance and Investment Division has a few reprints of this table. If you wish to receive a copy, please write us promptly.

AUSTRALIA

(On March 12 one pound = \$4.0550)

Victorian Revenue in December 1933 (Vice Consul Bernard C. Connelly, Melbourne, 1/23/34)

In spite of a decrease of £311,645 in Victoria's revenue for December (compared with December 1932) Treasury officials consider that the revenue position is satisfactory.

Revenue from Victorian state railways continues to be lower than in 1932. The receipts for December 1933 yielded a surplus for the month of £70,021, but the gross revenue for the month was £44,089 less than in 1932. This is viewed unfavorably.

London Balances of Australian Banks May Decline (Trade Commissioner E. C. Squire, Sydney, 2/3/34)

On December 30 the London funds of Australian banks approximated 3,800,000 pounds more than on December 30, 1932. This is in line with the Prime Minister's budget speech and other indications. Further increases would appear unlikely during the next five months, and even some shrinkage is possible. Any material increase in imports would reduce the London funds.

Wool and Banking. (The Australasian Insurance and Banking Record, 1/22/34.)

The rise in wool and the manner in which the offerings are being taken by buyers are producing their effect on banking figures, as the proceeds go to the growers' credit or reduce their overdrafts. The money already realized compares favorably with that for the first half of the 1932-33 season; and in New Zealand, where extremely low prices had to be accepted last season, the prices now ruling show a notable proportionate advance.

The quarterly average returns of the banks in Australia are influenced by the wool sales prior to Christmas, and to a limited extent by the results of the wheat harvest, though the latter has more influence on the figures for the March quarter. From the point of view of exchange, the active demand for wool and the improvement in prices mean that wool bills are on a good scale, though this is subject to qualification later in the season, when the effect of the reduction in the clip is felt.

The wheat harvest has turned out somewhat better than anticipated, but low prices are an adverse factor, and it is expected that the value of wheat and flour exports will be less than last year by £7 to £100 millions. The value of butter exports is also affected by low prices.

A comparison of deposits (exclusive of perpetual stocks) and of advances and securities with those of a year ago follows (exclusive of the Commonwealth Bank).

<u>Deposits</u>	(all figures in millions)		
	<u>December 1932</u>	<u>December 1933</u>	<u>Change</u>
Australia	274.0	277.6	+ 3.6
New Zealand	51.9	59.3	+ 7.4
Total	325.9	336.9	+11.0
<u>Advances and Securities</u>			
Australia	285.8	288.7	+ 2.9
New Zealand	60.7	64.6	+ 3.8
Total	346.5	353.3	+ 6.7

The movements in Australia for the year are the net result of shifting of funds between the principal states. In New Zealand, the increase in advances and securities is the net result of a decrease in advances and an increase of over £10,000,000 in public securities, consequent upon the support given to the Government by the banks.

Gold Output in 1933. (The Australasian Insurance & Banking Record, 1/22/34.)

A preliminary estimate of Australian gold production for 1933, prepared by the Commonwealth Statistician's Department, shows a total of 805,000 fine, ozs., 714,000 ozs. for 1932, 595,123 ozs. for 1931, 466,593 ozs. for 1930, and 427,150 ozs. for 1929.

• BRITISH INDIA
(On March 12 one rupee = \$0.3828)

A Burmese Suggestion Concerning the Central Bank (Consul Winfield H. Scott,
Rangoon, 1/13/34)

Mr. U Ba Maung, speaking in the Indian Assembly at Delhi in the course of the debate on the reserve bank bill, advanced the opinion that, in view of Burma's unfavorable financial situation, shares of the reserve bank could only be purchased by non-Burmans, and that in order that Burmans should have an interest in the Bank it must, of necessity, be owned by the State.

Silver advocate would amend Reserve Bank bill (The Financial News, 1/27/34)

In a speech on January 23, Sir Montague DeP. Webb, known for his advocacy of silver, spoke in part as follows:

The bill has one very grave defect -- a defect so serious that I regard it as an outrage on India.

The British Government, who practically drafted the bill, do not propose to allow India's Reserve Bank to deal in silver, or even to hold silver bullion as part security against India's paper currency.

No greater blow has been aimed at India's monetary system since the Indian mints were closed to the free coinage of silver forty years ago, thereby depriving millions of the poor of this country of three-quarters of their savings.

The first measure of relief that we here in India need is a derating of the rupee, -- a restoration of the rupee to the relation at which it stood with sterling for nearly 20 years.

That will give more rupees to Indian exporters and will tend to restore rupee prices to the level at which they stood.

Silver Duty is Lowered (Vice Consul Gerald Keith, Calcutta, 3/2/34)

The duty on silver was lowered from $7\frac{1}{2}$ annas to 5 annas per ounce, effective February 28.

CEYLON
(On March 12 one rupee = \$0.3828)

A Budget Review (Consul Robert L. Buell and Vice Consul Brockholst Livingston,
Colombo, 1/20/34)

The year ended September 30, 1933, disclosed an excess of revenues over expenditures of more than 9,000,000 rupees. This surplus was largely the result of the estate duty paid on the late Lord Inchcape's properties in Ceylon. The policy of retrenchment which began in 1930-31, although continued in the last fiscal year, could hardly have kept expenditures within the revenue. Income tax, however, showed an increase of more than 8,000,000 rupees.

Surplus on hand at the end of the fiscal year was about 17,000,000 rupees. That it is so large is due to the surplus carried over from the previous year and to the fact that certain balances to the credit of railway and electricity supply funds which were to have been utilized to meet expenditures were not drawn upon, because of the unexpected increase in revenue.

The Government of Ceylon is considered to be in a sufficiently sound financial position now to give consideration to the restoration of a part, at least, of the reduction in the salaries of civil service employees.

CHINA

(On March 12 one yuan = \$0.3520)

The Need For More Detailed Budget Statements (Finance and Commerce, 1/31/34)

Following the announcement that the Government has recently had to raise 200,000,000 yuan of loans, there has been renewed demand that the country's financial authorities should take the public more into their confidence and issue detailed statements from time to time, showing exactly what revenue is obtained and how it is spent.

Some of the Government departments are now employing foreign accountants to help them in reorganizing and modernizing their accounting systems. This procedure should not only lead to greater efficiency and possibly saving of expenses, but should help to inspire confidence, particularly, where foreign loans are involved, and it is hoped that it will soon be adopted in all sections of the Government service. It would prove a material step forward in the re-establishment of China's financial credit, which is an essential preliminary to the success of the many schemes of reform and reconstruction at present under consideration, and would certainly facilitate the preparation of reliable budget estimates.

Dr. H. H. Kung shortly after he became Finance Minister promised to balance the budget within six months, but no one appears to be aware of the measures he proposes to adopt to achieve this end, and although there is a Directorate-General of Budgets, only the vaguest outline of receipts and disbursements is ever published.

The fiscal year ends in June but so far as we are aware no detailed statement has yet been issued for the year ended June 1933. The only estimate we have seen relating to the current year are those which placed the total revenue at 629,807,622 yuan and the amount required for loan service and indemnities at 241,841,804 yuan leaving a total of 387,965,818 yuan available for routine Government expenditure.

These figures are obviously of little use now as a guide to the existing financial position. Heavy military expenditure has been incurred and a month or two ago it was semi-officially intimated that the total disbursement of the Government would be over 800,000,000 yuan for the twelve months, or nearly 600,000,000 yuan after meeting the loan service, as against the 380 millions available. This would leave a deficit of over 200 millions. Loans to this amount have been issued since October. The loan scrip has been deposited with the Chinese banks against advances and it is unlikely that more than 120,000,000 yuan was obtained in cash or that the loans, when placed on the market, will be

floated at higher than 65 which may perhaps be regarded as the average ruling price of domestic bonds with a par value of 100. The prospects, therefore, would seem to point to still further loans in the not far distant future.

Under Mr. T. V. Soong's regime the policy was to reduce borrowing to a minimum. For the year ended June 1931, 216,714,340, yuan of loans were raised. In the following year the amount borrowed was just over 130 millions and for the year ended June 1933, there was no recourse to loans at all. Therefore, even if it were found necessary to raise 300 or 400 million yuan during the present fiscal year the financial position would probably not be found to have deteriorated to any very serious extent, in view of the substantial amounts of outstanding loans which are being regularly liquidated. But, as the critics point out, the trouble is that sufficient details of the financial situation are rarely published and the public as a consequence feeds upon rumours. A complete budget statement is urgently required before confidence can be fully restored, and we trust that Dr. Kung has now one in preparation.

The R.F.C. Loan to China (Finance and Commerce, 1/31/34)

In an interview with press representatives last week, Mr. T. V. Soong clarified the position of the American cotton-and-wheat loan and denied reports that the Government had suffered severe loss in its disposal of American cotton. The former Finance Minister's statement was clear and precise and no one would wish to take exception to it as far as it goes. The only trouble is that it does not go far enough.

It is perfectly true that the American cotton sold under Government auspices was sold at the market price and that, consequently, no loss was involved, but it should be added that the sales have now ceased and that there does not appear to be any great prospect that they will be resumed until the price is cut, in which case of course the Government would have to shoulder the loss.

A somewhat similar situation has arisen in regard to wheat and flour. Not a single order for wheat has been placed in Shanghai since the middle of last month. The Government are now negotiating with the mills on the subject and the discussions are centering around the question of price. No losses are being suffered at the moment for the simple reason that no business is being done, but a loss will have to be faced before agreement on the price question is reached and the more quickly the Government recognize this the better it will be for trade.

The loan itself may have served a useful purpose as a gesture of goodwill and confidence towards the Government of China, but it is also fairly safe to assert that there is not a single individual whom the loan was primarily intended to benefit who does not now devoutly wish that it had never been conceived. It is upsetting routine business in a variety of ways, and is generally depressing the market.

These ill effects will continue so long as the Government remains fixed in its resolve to pay no more than 5 percent interest upon the accommodation it is receiving.

The hope may be expressed that the authorities will adopt the policy, which it was originally thought they would do, of cutting the price of the commodities and adding the loss which this will entail to the rate of interest. If such readjustments bring the cost of the loan to 12 or 15 percent it will be money raised as cheaply as it could be raised in the local market. Indecision and further procrastination will mean further heavy, even if indirect, losses, both to the Government and the trading community.

The Note Issue of Shanghai Banks (Finance and Commerce, 1/24/34)

Notes of Shanghai banks outstanding at the end of 1933, were as follows:

	Millions of yuan
Bank of China	121.9
Central Bank of China	70.3
Bank of Communications	42.7
China & South Sea Bank	29.0
Industrial Bank of China	32.1
Ningpo Commercial Bank	19.5
Commercial Bank of China	14.8
National Commercial Bank	8.3
Land Bank of China	6.0
Agricultural Bank	6.0
	350.6
Foreign Banks	2.4x
Total	353.0
xEstimated	

The following comment may prove of interest:-

Bank of China. -- About 60 percent of the total of notes in circulation are the issue of the Shanghai branch; 20 percent of branches in other cities near Shanghai, and 20 percent of other branches.

Central Bank of China: -- Between January and June the issue remained stationary. From then onwards, however, there was a steady rise and at the close of the year the total circulation had risen by 65 percent of the first half year's average. This increase is mainly to be ascribed to the circulation of the notes all over China, although these are inscribed 'Shanghai' and are payable there. The Central Bank's note issue now comprises 64,000,000 yuan in 'big' dollar notes and 6,000,000 yuan in subsidiary notes.

The metallic reserves of the Central Bank of China at the close of the year amounted to 57,421,500 yuan in silver coin and bars, of which sum 54,165,500 yuan is held by the Shanghai office. Apart from the above issue figures, the Central Bank has customs-gold-units notes out to the amount of 416,715, which represents a slight recession from the beginning of the year.

China and South Sea Bank: -- Its note issue is made on behalf of itself, the Yien Yih Commercial Bank, the Continental Bank, and the Kinchong Banking Corporation.

Industrial Bank of China: -- About 55 percent of the total was issued by Shanghai branch, 20 percent by other offices, and 25 percent by agencies.

Commercial Bank of China: - This bank reports a metallic reserve of 70 percent and a securities reserve of 30 percent.

National Commercial Bank: - The Shanghai Office is responsible for the issue of nearly 60 percent, while the balance was placed by agents.

Land Bank of China: - Reports a cash reserve of about 80 percent and a securities reserve of 20 percent.

Loan Sought to Aid Banks (Ambassador Edwin S. Cunningham, Shanghai, 3/3/34)

The Kwantung Provincial Government is reported to be negotiating in Hong Kong for a 5,000,000-dollar (Hong Kong) currency loan for stabilizing its currency, but authorities refuse to comment on the type of security offered.

Shanghai-French Municipal Loan (Finance and Commerce, 1/31/34)

Taking advantage of the downward trend in interest rates and the easy money conditions, the French Municipal Council are now converting some of their 7 percent bonds to a 5 percent basis, which it would appear, will have to be regarded as a fair average for the future. It is issuing 50,000 debentures of 100 Yuan each at par on February 10. Already 2,260,000 Yuan have been subscribed and allotted in full and the balance of 2,740,000 Yuan is being offered subject to certain conditions. Priority of subscription is accorded to holders of the 1928 and 1929 7 percent loans, who must exercise their option by February 8.....

New Currency Popular in North Manchuria (China Monthly Trade Report)
February 1, 1934.

The new currency (kuo-pi) gained in popularity and strength during 1933. Up to November, upwards of 100 million Yuan of the old Harbin notes had been withdrawn from circulation, leaving a balance of about 40 million Yuan to be redeemed before June 1934. The American dollar in terms of Harbin dollars dropped from US\$100.00 = H.\$600.80 in January to H.\$376.80 in December. The average for the year was about US\$1.00 = H.\$5.00.

Statistics on Silver in Chinese Banks, 1922-33 (Finance and Commerce, 1/31/34)

Silver held by Shanghai banks at the close of each year since 1922 has been as follows: (in millions of fine ounces)

1922	50.2
1923	49.6
1924	93.8
1925	108.0
1926	129.6
1927	123.5
1928	145.1
1929	207.0
1930	214.6
1931	194.5
1932	319.9
1933	392.9

Chinese Fear Withdrawals of Silver (Commercial Attache Arnold, Shanghai, 2/26/34.)

The Government and the business communities in the treaty ports are concerned over prospects of exports of China's silver supplies through a drastic price advance of the metal in the United States. Such outflow might entail disastrous reactions on China's foreign trade and the Government's revenues, especially so now, when the country is experiencing an unusually large unfavorable trade balance.

Shanghai's imports of silver during January were 1,671,000 ounces, of which 55 percent came from Hong Kong and 40 percent from the United States. Exports of silver during January were 848,000 ounces, all of which went to Great Britain.

Low Silver and China's Exports (Annual Report of Trade and Industry for 1933, from office of Commercial Attache, Shanghai, 1/20/34)

In theory, low silver exchange should be helpful to Chinese exports. In reality, however, during the period when silver was at its lowest levels, China's foreign exports were correspondingly low, for the reason that low silver under ordinary circumstances (that is, in the absence of artificial stimulants) reflects low commodities prices generally. In other words, when the outside market is suffering from an economic depression, there is but little evidence of an interest in China's export commodities at any price. In the Occident, labor is a proportionately important factor in production costs and the public has a comparatively high purchasing power. In China, labor costs are a relatively unimportant factor in production costs and the public has a comparatively low purchasing power. In a Western country the cost of raw materials is not so much a matter of concern as it is in China.

Naturally the element of competition must be considered. If China is competing with other countries in the sales of its commodities, other things being equal, buyers will purchase where they can secure the most advantageous terms. It is probably justifiable to state that the world economic depression was essentially the controlling factor in China's declining exports during the past few years. However, full cognizance must be taken of the fact that, since the establishment of an independent customs administration in Manchuria, the export trade has suffered severely especially since Manchuria is the one section which consistently enjoys a favorable trade balance.

Estimates of National Economic Council. (Finance & Commerce, 1/31/34)

At a meeting of its standing committee the National Economic Council discussed a conservancy and highway program which would call for expenditures of 50,000,000 Yuan in two years.

Administration of the Salt Gabelle

The North China Daily News of February 1, 1934 contains an article entitled "The Salt Administration" - Reorganization Efforts Lead to Greater Collections; Growth of Service". In its explanatory introduction to this article the editors stated: "Important advances in the reorganization of the Salt Administration, greatly improved collections, and drastic measures for ensuring honest administration are the features of the Department's history in recent years as outlined in the following special article which shows how Mr. T. C. Chu has directed this important revenue-producing service."

Review of Manchurian Finance in 1933 (Vice Consul J. K. Penfield, Mukden,
1/17/34)

Budget -- During the year under review satisfying progress has been made in the currency and budget programs of the Manchurian Government. On December 1 the first important internal tax law promulgated by the new Government went into effect. It abolished the several varied agricultural taxes and substituted therefor a national foodstuff tax schedule which materially reduces the tax burden on the farmer. This law is part of a five-year program for the unification and modernization of the internal tax system. It is announced that it will result in a loss to the Government of at least 9,000,000 Manchukuo yuan per year, but over 50 percent of an estimated 42,000,000 Manchukuo yuan in annual government receipts by the 1937-38 fiscal year is to come from internal revenue.

Financial Developments in Manchuria during 1933 (China Monthly Trade Report,
2/1/34)

A five year program of fiscal reform involves the unification and modernization of the internal tax system. For the current fiscal year increased revenues of 150,000,000 Manchurian yuan are expected from customs revenues, the salt tax, and the opium monopoly. Increased customs revenues will come in part from duties on goods which formerly entered Manchuria by way of China ports, duty prepaid.

It is planned to complete the retirement of the many different local currencies by July 1, 1934, substituting therefor a uniform currency. Confidence in the new currency is already evident and this is everywhere regarded as a very definite aid to business.

A banking law modelled upon that of Japan became effective in part on November 9. Banks are allowed until June 30, 1934, to apply for licenses. The law will not become fully effective until January 1, 1935.

A foreign-exchange-control law, which became effective October 5, for the Kwantung Leased Territory and the Railway Zone has tended to curb the activities of speculators on the local currency exchange and to reduce fluctuations.

Gold and silver embargoes have been in force in Manchuria, but substantial parity was maintained between the Manchurian yuan and the Chinese yuan. The gold yen, however, steadily weakened, falling from a 3 percent discount at the beginning of the year to a 10 percent discount at the end.

The Government offers a price for gold which is below the world price but above that obtainable in Chosen. Therefore, there has been a steady stream of smuggled gold filtering down through Manchuria into China. It is reported that considerable quantities of silver are also smuggled from Manchuria into China.

EGYPT

(One Egyptian pound - 1.01572 pounds sterling or
on March 12 = \$5.1628)

Premier Issues Statement on Public Debt Case (Commercial Attache Charles E.
Dickerson, Jr. Cairo, 1/15/34)

In view of repeated unofficial statements by high officials to the effect that the Egyptian Government would under no circumstances pay interest on its public debt in gold, an official announcement of the Prime Minister this week on this subject is of special interest. While refusing to make a definite statement (which in itself is regarded here as significant) Yehia Pasha said that the Government would do its utmost -- both through the courts and by diplomatic negotiation -- to bring about a successful solution of this matter. Considering the ill feeling created in certain circles by the resolute attitude hitherto expressed by representatives of the Government, this statement, even though vague, has had a favorable effect.

FRENCH INDO-CHINA

(The piaster = 10 French francs, or on March 12 = \$0.6577)

Budget for 1934 Fixed at 60,953,940 Piasters (Consul Quincy F. Roberts, Saigon, 1/20/34)

In 1932 the ordinary receipts of the Government General of French Indo-China amounted to 69,132,137 piasters and expenditures, to 82,996,923. The resulting deficit of 13,864,786 piasters, added to the deficit of 1931, used up the proceeds of a loan of 25,000,000 piasters authorized by the law of April 26, 1932.

Revised estimates for 1933 place revenues at 67,900,000 piasters and expenditures at 72,900,000 piasters, leaving a deficit of 5,000,000 piasters.

The budget for the year 1934 is provisionally fixed at 60,953,940 piasters, both for revenues and ordinary expenditures. In addition to ordinary expenditures, the government plans to spend 4,316,000 piasters on the railways and 34,344,969 piasters on public works from loan funds.

Banking Difficulties of 1933. (Consul Quincy F. Roberts, Saigon, 1/20/34)

The year 1933 was characterized by a growing demand from debtors, principally small merchants and planters, for relief from heavy interest rates and foreclosure proceedings. The movement developed into an attack on the Bank of Indochina, the bank of issue, and took the form of a demonstration which resulted in the closing of business houses, hotels, and offices.

The Governor of Cochinchina in his annual message appealed to the bankers to lower interest rates, reduce commissions, give time to creditors, suspend court action, organize long-term credits for commerce and industry, and thus aid in the recovery of the colony. At a meeting of the Grand Council of Economic Interests at Hanoi a resolution, supported by the elected members and carried by a vote of 31 to 8, asked the Government to abrogate the Bank of Indochina's right of note issue.

The position of the Bank was presented by the Inspector General, who is a nominated member of the Council. He pointed out that a bank of issue has a two fold object -- protecting the currency and providing credit. The Bank during a crisis like the present one found it necessary to liquidate some of the commercial concerns for which there was no hope. This procedure, he stated, was

being used only as a last resort and if amalgamation, reorganization or other means would save a business, the Bank was the first to accept such a solution. He stated that in most of the cases where it had been necessary to foreclose on rice farms, arrangements were made that the property could regain ownership if conditions improved. The Bank was doing all that it could to help agriculture, commerce, and industry. Depreciation of currency, the aim of those attacking the charter of the Bank, would not improve the credit situation.

Commission Considers Demand for a Return to Silver (Consul Quincy F. Roberts, Saigon, 1/20/34)

The note circulation on December 31, 1933, in French Indo-China, was 91,185,624 piasters, as compared with 92,878,065 piasters at the end of 1932 and 102,071,050 at the end of 1931. (One piaster = 10 French francs.)

During 1933 there was a persistent demand from the rice producers, the rubber growers, and from other organizations interested in exports to take the piaster off gold. The supporters of the proposal asserted that a piaster based upon silver would raise the local price of export commodities, ease the burden of debts, and increase the volume of business done in Indochina. They pointed to depreciated currencies in Burma, Siam, and the Malay States, countries which produce commodities that compete with those of Indochina, especially, rice, rubber, and tin. The principal consumers of Saigon rice are Hongkong and China. Depreciation of the piaster, it is claimed, would enable the rice producers of Indochina to find a profitable market for their produce in those areas.

On the other hand, the "sound-money" men, supported by the bank of issue, French investors in Indochina, and the Government's financial experts, uphold a currency based on gold. They claim that the low level of prices is not due to the fact that the currency is on a gold basis, and that prices for primary products are not any higher in the countries with depreciated currency. Depreciating the piaster would drive away capital necessary for the development of the colony, they state, and the credit of the colony would be damaged at the very time when loans for public works are being floated.

Although the piaster has been on gold for three years, some responsible bankers are beginning to think that the Government of Indochina may be forced to return to silver. A currency commission is now sitting in Paris for the purpose of studying this question.

HONG KONG

(On March 12 one Hong Kong dollar = \$0.3919)

Hong Kong Note Issue (Finance and Commerce, 1/24/34)

The average note issue of the three Hongkong banks of issue during December was as follows:

	Hkg. Dollars
Chartered Bank	14.9
Hongkong & Shanghai Bank	141.2
Mercantile Bank of India	1.5
	<hr/> 157.6

December witnessed a noteworthy increase in the note issue.

JAPAN

(On March 12 one yen - \$0.3001)

Industrial Bank Dividend (Trans-Pacific, 2/8/34)

The Industrial Bank of Japan has declared a 6 percent dividend. The bank had a net profit of 2,790,268 yen for the last half-year.

NETHERLAND EAST INDIES

(On March 12 one florin or guilder = \$0.6724)

N.E.I. Budgets a Deficit (Trade Commissioner Charles E. Brookhart, Batavia, 1/30/34)

The revised budget for Netherland India during 1934 has been placed before the Volksraad. It anticipates a deficit of 89,218,000 florins. During the past four years deficits have been accumulating. While final figures are not yet available, preliminary data indicate that the accumulated deficit for the four year period 1930-1933, inclusive, will total approximately 625,000,000 florins, about two-thirds of which remains as floating debt.

NEW ZEALAND

(On March 12 one pound = \$4.0650)

New Zealand's Favorable Trade Balance (Consul General Calvin M. Hitch, Wellington, 1/26/34)

A marked improvement in the balance of New Zealand's overseas trade took place during 1933. Notwithstanding extremely low commodity prices exports increased by £4,336,171; imports, on the other hand, decreased by £1,593,724. Thus the favorable balance increased by £5,929,895 to nearly £20,000,000, which is the largest on record with the exception of 1919, when it was £23,598,758.

It should be noted that the exports are given in terms of New Zealand currency, which is at a discount of 25 percent on sterling, while the bulk of the imports are valued in terms of sterling, and the remainder in Australian pounds. Hence the favorable balance is more apparent than real.

Wages and Prices During 1933 (Vice Consul Walter W. Hoffman, Wellington, 2/7/34)

The index number of weekly money wages remained nearly constant throughout 1933. It was 1,374 (on the basis of 1914 = 1000) on December 31, 1932; 1,368 on March 31, 1933; 1,366 on June 30 and September 30; and 1,365 on December 31.

The wholesale price index also showed very little fluctuation except for a rise following the lowering of the exchange rate in the latter part of January. At the end of January the index (on the basis 1909-13 = 1000) stood at 1,266. A month later it was 1,315. It rose to a high of 1,327 at the end of July, and was 1,318 on December 31.

Retail prices also were steady throughout the year. On the basis 1926-30 = 1000, the index was 797 at the end of February and 796 at the end of both August and November. Only export prices have risen. At the beginning of the year the

index number was 877, (1909-13 = 1000); it reached its lowest point, namely, 808 in May. Since May the index has risen rapidly; it was 1046 at the end of the year.

PERSIA

(The new par of the Persian rial is \$0.4120)

Balance Sheet published by National Bank of Persia* (Charge d'Affaires ad interim George Wadsworth, Teheran, 1/22/34)

Balance sheets and profit and loss statements of the National Bank of Persia for 1931-32 and 1932-33 were approved on October 22 last. These constitute the first detailed information concerning the bank's condition made available to the public.

The bank is a stock company, but, as pointed out by the Minister of Finance on September 24, "The bank has issued no stock, although in name it is a stock company, a designation which finds its origin in the Government's desire to pave the way gradually to leaving the bank to the people."

The balance-sheet details, etc., may be had on application to the Finance and Investment Division.

Report on the Currency*

A report on Persian currency from the Charge d'Affaires, Teheran, covering "the period ended October 22, 1933" is obtainable on a loan basis. The report is dated January 20, 1934 and the number is 10178.

Report on Persian Banks*

The Finance and Investment Division has received a report on Persia's six banks containing certain comparative statistics. The number of the report is 10179.

SYRIA

(One Syrian pound = 20 French francs or on March 12 = \$1.3154)

Currency Issue Increased in 1933 (Vice Consul D. Gaudin, Beirut, 1/25/34)

On December 31, 1933, currency outstanding was as follows (in millions of Syrian pounds):

Far Eastern Financial Notes No. 154 - 14.

	<u>1932</u>	<u>1933</u>
Gold coin and bullion	0.5	0.5
French bonds and securities	1.1	1.0
Compulsory deposit at the French treasury	3.7	4.0
Optional deposit at the French treasury	(1)	0.5
Deposit at the Banque de France	<u>5.8</u>	<u>6.1</u>
	11.1	12.3

1/ 9,536 Syrian pounds.

The figures reveal currency outstanding increased during 1933 by 1,175,000 Syrian pounds. Turkish gold coins have become very scarce.

Grosvenor M. Jones, Chief
Finance and Investment Division

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DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

No. 155

FAR EASTERN FINANCIAL NOTES

April 5, 1934

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FAR EASTERN FINANCIAL NOTES

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AUSTRALIA

(On March 27, one pound = \$5.0983)

Bank Deposits Increase (The Economist London, 3/10/34)

The banks' quarterly average returns to December 31 show the effect of the increased proceeds of wool sales at the higher prices now ruling. Deposits within Australia, at £278,668,803, show an increase of £4,029,099 as compared with a year previously, thanks to an increase of £6,985,635 in current accounts against a slight decrease in fixed deposits. The latter had been rising for several years, owing partly to lack of investment enterprise. Advances, at £236,269,362, show an increase of £5,711,029, due to the somewhat more active state of business. Government and municipal securities, in which are included most of the Treasury bills held by the banks, are now £49,589,449, a decrease of £2,796,995, during the year.

The Commonwealth Bank return for the December quarter for its Australian business, which is not included in the foregoing, shows deposits at £39,472,855, balances due to other banks at £28,059,505, advances at £18,739,974 (including short-term loans), and Government and municipal securities at £36,104,544.

In New Zealand considerable changes have taken place in the banking statistics. Deposits for the December quarter were £59,280,798, an increase of £7,362,399 for the year; discounts at £986,713 showed an increase of £369,709; debts due to the banks, at £42,765,264, showed a decrease of £6,851,479; and Government and municipal securities, etc., at £20,463,523, had risen by £10,360,459. (The large increase in securities is the result of support given by the banks to New Zealand Government finance.)

New Australian Conversion Loan (Charge d'Affaires Ray Atherton, London, 3/6/34)

Australia is continuing its progress in converting its outstanding bonds at

a lower rate of interest. From October 1932 to December 1933, six operations resulted in a total of £88,212,000 being converted at a total annual saving of £1,903,000. The seventh operation in the series, a $3\frac{1}{2}$ percent conversion loan in the amount of £21,636,000, was offered for subscription on February 22. It is intended to convert or repay three issues, the New South Wales 5 percent stock of 1932-42, the Victoria 5 percent stock of 1932-42, and the Queensland $5\frac{1}{2}$ percent loan of 1934-36. The latter is redeemable after July 1, 1934 on 3 months' notice. The new issue was offered at 97 and was well received, cash applications being closed during the morning of the day of offering. The offer for conversion remains open until March 5.

The Australian public debt as of September 30, 1933, amounted to £1,206,025,614 of which £608,755,729 is internal and £597,269,885 external, the latter being held largely in Great Britain. After the present operation there will remain about £58,000,000 of loans bearing interest at 3 to $5\frac{1}{2}$ percent, which are redeemable beginning 1934 or 1935. There is also outstanding an American issue of \$49,568,000, paying $4\frac{1}{2}$ percent and due May 1, 1936, which is callable at any time.

Commonwealth Bank Reserve Held in Sterling (Trade Commissioner
E. C. Squire, Sydney, 1/31/34)

In accordance with an amendment of May 31, 1932, to the Commonwealth Bank Act, empowering the Commonwealth Bank to hold sterling or gold as cover for its note issue, the Bank, after taking over the gold reserve of the trading banks, has converted most of its gold-note cover into sterling. The banking act requires a minimum ratio of gold or sterling to note issue, increasing from 15 per cent in June 1933 to 25 percent after June 1935, but actually the Bank is well ahead of the schedule, with a ratio on January 1, 1934 substantially above 25 per cent. This did not take into account the premium resulting from the sale of gold for sterling, which has been set aside as a special reserve available for stabilizing exchange or for the general purposes of the note-issue department. The Commonwealth Bank has become a real central bank, according to the following statement of the governor of the bank, in reviewing developments in 1933:-

"The Commonwealth Bank has further consolidated its position as a central bank working in harmonious cooperation with the trading banks and with the Government. In its functions and powers, it is more generously equipped than the newer continental central banks. They are creatures of statute, with activities limited by their legislative charters."

Australian Budget Considered Satisfactory (Trade Commissioner E. C. Squire,
Sydney, 1/31/34)

Although the budgets of the Commonwealth and the Australian States estimate an aggregate deficit of £9,000,000 for the year ending June 30, 1934, it should be noted that expenditures include sinking-fund payments of £8,000,000. Under the Premiers' plan formulated in June, 1931, all budgets were to be balanced by June 1934, but it is generally felt that balance has been substantially achieved and that it is better to give industry and taxpayers relief from taxation, in order to stimulate business and provide employment than to aim at the absolute balancing of the budget.

The 1933-34 budgets of all the States and of the Commonwealth anticipate revenues of £139,515,867 against expenditures of £178,574,141. For 1932-33, revenues amounted

to £178,157,034 and expenditures to £182,693,404, resulting in a deficit of only £4,536,370. Actual results for the 6 months ended December 31, 1933, show revenues of £82,239,686 against expenditures of £88,230,022, leaving a deficit of £5,990,336, compared with a deficit of £5,227,000 for the six months ended December 31, 1932. Payments of sinking funds on Australian public debts, amounting to about £8,000,000 each year, have been maintained regularly; without such payments there would have been a surplus rather than a deficit in the fiscal year 1932-33.

BRITISH INDIA

(On March 27, 1934, one rupee = \$0.3832)

Burmese Financial Situation Shows Improvement (Consul W. H. Scott, Rangoon, 2/10/34)

The local financial situation reveals a slight improvement during January. Clearing-house returns for the 4 weeks ended January 25 aggregated 41,038,971 rupees, which was only 5,674,013 rupees less than for the corresponding period of 1933.

Cooperative Land Mortgage Bank Established (Trade Commissioner C. E. Christopherson, Calcutta 2/19/34)

A Cooperative Land Mortgage Bank was opened at Mymensingh, Bengal, on February 15, as the first of five banks to be opened in Bengal for the purpose of assisting farmers in redeeming old debts and in making improvements on their land. Long-term loans will be secured by first mortgage and will be repayable in yearly or half-yearly instalments. It is expected that they will be used mainly for the redemption at more favorable interest rates of outstanding mortgages and for the liquidation of other debts. Capital for the Cooperative Bank is being raised by the sale of debentures, the interest on which is guaranteed by the Government of India.

Indian Budget Satisfactory (The Economist, 3/3, 1934)

In reviewing the budget for the fiscal year ending March 31, 1934, Sir George Schuster offered revised estimates indicating a probable surplus of 42,900,000 rupees. This is somewhat less than the original estimate of a 71,300,000 rupees surplus, made at the time the budget was introduced last year, owing mainly to the fact that declining imports have reduced the yield from customs duties. Based on 9 month figures, revenues for the year are expected to be 50,400,000 rupees lower than originally anticipated, while expenditures will be 22,000,000 rupees lower, mainly because of a reduction of 20,000,000 rupees in Army expenses.

In introducing the new budget the finance member pointed out that, while crop prospects and price increases indicate the probability of some slight general improvement in 1934-35, customs revenue is likely to fall substantially under certain important heads, notably sugar, from which a reduction of 30,000,000 rupees is anticipated as a result of the development of sugar production in India and consequent diminished importations. The reduction in the duty on silver is also expected to cause lower revenues from that source. It is proposed to make up these losses by an excise tax on sugar and matches and an adjustment of the tobacco duties. It is hoped that these new taxes, if they are approved by the legislature, will provide sufficient additional revenue to permit the Central Government to hand back to the jute-producing Provinces half of the duty levied on the export of jute. (Reports from India have indicated that there is considerable opposition to the excise tax on sugar, however). The new budget will include an item of 445,000,000 rupees for the

Army, which is a considerable reduction as compared with the 550,000,000 rupees in the budget of 4 years ago and similar appropriations in previous budgets. Civil expenditure has also been reduced in the past 4 years, with the result that the new budget will estimate expenditures at about 765,000,000 rupees as against 930,000,000 rupees in 1930-31.

Referring to the debt position of the Indian Government, the finance member pointed out that the annual debt service has been reduced by 42,500,000 rupees as a result of conversion, while the amount of early maturities (within 5 years) has been reduced to 1,650,000,000 rupees, as compared with 3,160,000,000 rupees in 1931. All but 2,000,000,000 rupees of India's ^{total} debt represents productive assets which carry their own interest charges. The Government has therefore felt justified in reducing the provision for debt redemption in the new budget to 30,000,000 rupees. The budget will anticipate a surplus of 1,900,000 rupees.

Bombay Gold Market Active (Vice Consul Nathaniel Lancaster, Jr., Bombay, 2/14/34)

Considerable activity in the Bombay gold market resulted from the stabilization of the dollar and the fixing of the American gold price at \$35 an ounce. The price of ready gold rose from 33-12-0 rupees per tola on January 31 to 34-2-0 rupees on February 1. The position improved to 34-11-0 rupees during the following week, but receding to 33-14-0 rupees by February 10. The largest gold shipment since Great Britain went off the gold standard was made during the week ended February 10, amounting to 56,809,147 rupees (about \$20,735,338)a. The total of gold exports in the period of approximately 2½ years since Great Britain went off the gold standard is 1,679,458,307 rupees (about \$613,002,282)a.

(a) At old parity of 36.5 cents per rupee.

Imports of Silver into Bombay during January (Vice Consul Nathaniel Lancaster, Jr., Bombay, 2/15/34)

Country of origin	Quantity in ounces	Value in rupees
Bahrein Islands	10,214	27,485
Iraq	29,706	79,937
Masbat Territory and Trucial Oman	16,723	45,000
Other Native States in Arabia	13,033	33,572
Total	69,676	185,994

CHINA

(On March 27, 1934 one yuan = \$0.3439).

The Chinese customs gold unit is now equivalent to about 67.73 cents gold.

Silk Industrial Commission to be Inaugurated (Chinese Economic Bulletin, 2/10/34)

The Silk Industrial Commission, attached to the National Economic Council for the development of the country's silk industry, will be officially inaugurated shortly. Thirty six commercial, industrial and financial leaders, including many men prominent in Shanghai, have been invited by the National Government to serve as members of the commission, which will be headed by Mr. Tseng Yang-fu, head of the Reconstruction Bureau of the Chekiang Provincial Government, who is to serve

as chairman of the standing committee. It has been decided to appropriate from the U. S. \$50,000,000 cotton and wheat loan the sum of \$2,000,000 for expenses of the new commission.

China Ratifies Silver Agreement with Reservations (Commercial Attache Julean Arnold, Shanghai, 3/15/34)

China has finally decided to ratify the London silver agreement, but with some misgivings as to the possible effects of a sharp rise in the price of silver. The ratification therefore includes a reservation giving the Chinese Government the right to take any action deemed necessary in the event that a price rise threatens to prejudice the interests of trade and industry. It is felt that high silver prices would drain silver from the country and accentuate the present unfavorable trade balance. Should the price of silver be unduly enhanced China may abandon silver entirely, linking its currency to gold or to some other currency.

China and India Fail as Silver Markets (Commercial Attache Julean Arnold, Shanghai, 3/22/34)

The annual report of the chairman of the Hong Kong Shanghai Banking Corporation includes the following statement: "Taking an average of the seven years up to the end of 1930, India and China together consumed about 66 percent of the world offerings of silver, or about 200,000,000 ounces per annum. This consumption dropped in 1931 to 116,000,000 ounces, and in 1932 to 52,000,000 ounces. In 1933 the Indian consumption is estimated to be 10,000,000 ounces, while China is estimated to have exported some 15,000,000 ounces more than she imported."

"So we find the consumers of two-thirds of the world's supply of silver have gone out of the market and although the production of silver has dropped from an average of about 240,000,000 to 163,000,000 ounces, the total offerings of silver last year reached as high as 273,000,000 ounces, which is not very much under the average supply of the last seven years. The consequence is that over 150,000,000 ounces of silver remain unaccounted for and are presumably in the hands of speculators."

Silver stocks in foreign banks at Shanghai March 21 were estimated at the equivalent of 550,000,000 Chinese yuan, compared with 540,000,000 yuan at the end of 1933.

Hong Kong bank reports indicate that silver reserves have increased considerably because of the difficulty of finding safe and profitable investments for surplus funds. Silver exports continue heavier than imports.

Central Bank Continues Progress (Commercial Attache Julean Arnold, Shanghai, 3/22/34)

The Central Bank of China, established 5 years ago with a capital of 20,000,000 yuan, all subscribed by the Government, continued to make progress during 1933, though its net profit of 10,700,000 yuan was somewhat below the 11,900,000 yuan net profit for 1932. Reserves totaled 16,000,000 yuan at the beginning of 1933 and were expected to exceed the capital after allotment of the 1933 profits. Circulation nearly doubled during 1933, reaching 71,000,000 yuan. Deposits increased from 154,000,000 yuan to 227,000,000 during the year. Cash amounted to 122,000,000 yuan

at the end of 1933, compared with 89,000,000 yuan a year earlier. Loans and overdrafts ranged from 97,700,000 yuan to 142,800,000 yuan during the year.

Silver Stocks in Shanghai (Chinese Economic Bulletin, 2/10/34)

The Bank of China states that at the close of business on February 3, 1934, the stock of silver in Shanghai was 158,439,000 taels and 340,050,000 yuan.

Imports of American Wheat Increase (Finance and Commerce, Shanghai, 2/28/34)

Chinese imports of American wheat have increased strikingly as a result of the cotton-wheat loan. In the calendar year 1933 total imports amounted to 14,186,758 piculs valued at 35,995,592 gold units, of which only 367 piculs valued at 1,375 gold units came from the United States. In January 1934, out of total imports of 1,746,581 piculs valued at 3,921,845 gold units, the United States supplied 1,396,650 piculs valued at 3,124,057 gold units. The proportion of flour imports from the United States also increased, though not so sharply. Flour imports were as follows:

	<u>Piculs, 1933</u>	<u>Value, gold units</u>	<u>Piculs 1934</u>	<u>Value gold uni</u>
Australia	30,259	112,724	3,729	12,557
Canada	60,417	279,379	3,765	17,109
United States	76,428	359,713	13,962	55,609

(The customs gold unit, instituted when customs duties became payable in gold, is equivalent to 60.1866 centigrams of fine gold, or 40 cents in U. S. gold at the old par.)

Government Trying to Meet Railway Obligations (Commercial Attache Julean Arnold, Shanghai, 2/5/34)

In a statement outlining the accomplishments of the Chinese Government and its plans for reconstruction, Wang Ching-Wei, President of the Executive Yuan, stated that the Government is following Sun Yat-Sen's policy of inviting foreign capital for investment in Chinese railway enterprises. Appreciating that adequate security must be given in order to attract capital, and that credit must be maintained with regard to existing obligations, the Government is determined to make satisfactory arrangements for the adjustment of outstanding loans, though it is not at present possible to repay at once the defaulted installments. Measures for repayment of certain railway loans have been devised and in some instances carried out. Obligations of the Peiping-Liaoning Railway have been fulfilled in accordance with the terms of the agreement. Obligations for materials supplied have been readjusted and definite arrangements made with British and American creditors for settlement of obligations amounting to \$100,000,000. Measures for amortization of short-term loans, most of which are with Chinese banks, have been devised. There remain a number of railway obligations not yet adjusted, but the Government is making every effort to reach mutually satisfactory amortization agreements with holders of these obligations. The Government has no intention of evading its obligations. It is pointed out, however, that a revival of business activity is necessary to increase railway revenues, in order that amortization payments may be met in full.

EGYPT

(One Egyptian pound = 1.01572 times one pound sterling or on March 27 - \$5.17 81)

Public Debt Gold Payment Case Postponed (Various sources)

The Egyptian Government's appeal from the decision of the Cairo Mixed Court, ordering that the coupons of the Egyptian public debt be paid in gold, came before the Mixed Court of Appeal at Alexandria on February 16 and was adjourned until May 3. The Government claimed that time was necessary for the completion of its diplomatic negotiations on the subject. The case against the Credit Foncier Egyptien was also postponed to the same date.

Egyptian Budget Return (Commercial Attache C. E. Dickerson, Jr., Cairo, 2/23/34)

The Journal Official of the Egyptian Government for February 22, 1934, contains a statement of receipts and expenditures of the Government during the first quarter of the fiscal year beginning May 1, 1933. Receipts amounted to 7,837,232 Egyptian pounds, chiefly from land tax, customs duties, and tobacco dues. Expenditures amounted to 7,899.012 Egyptian pounds, of which the largest items were 831,563 Egyptian pounds for the Ministry of Education, 1,367,441 pounds for the Irrigation Department, and 1,077,384 pounds for service on the unified debt. The expenditure in the Irrigation Department is slightly more than twice the expenditure in the corresponding 3 months of the previous fiscal year. The excess of expenditures over receipts in the first quarter of 1933-34, namely 61,780 Egyptian pounds, corresponding excess of 913,380 pounds in the first quarter of 1932-33, when receipts were 9,068,656 Egyptian pounds and expenditures, 8,155,286 Egyptian pounds. The budget for the full fiscal year 1933-34 estimates receipts at 32,075,000 and expenditures at 31,979,000 Egyptian pounds. The total funded debt of the Government on July 31, 1933, amounted to £89,173,440 (sterling) of which £15,139,252 (sterling) was held by the Government and the Debt Commission.

JAPAN

(On March 27, 1934 one yen = \$0.3004)

Bank Deposits Increase (The Trans-Pacific, Tokyo, 3/1/34)

Deposits held by all banks in Japan, Formosa, and Karafuto on January 31, 1934, aggregated 11,929,349,000 yen, an increase of 45,666,000 over the figure for December 31, 1933 and 395,399,000 over January 31, 1933, according to the report of the Finance Ministry. Of the total, deposits in special banks throughout the Empire reached 1,384,653,000 yen (a gain of 53,541,000 over the preceding month and 88,870,000 over January 1933); deposits in ordinary banks totaled 8,701,404,000 yen (a decline of 25,909,000 from the previous month, but an appreciable rise of 628,333,000 over January last year); and deposits in savings banks 1,843,292,000 yen (an increase of 18,034,000 over December and 142,196,000 over a year ago).

Budget Passed Without Change (Commercial Attache Frank S. Williams, Tokyo, 3/14/34 and 3/19/34)

The Japanese budget (outlined in Far Eastern Financial Note No. 150, dated January 19, 1934) passed the Diet on March 14, without change. Some disappointment has been expressed in business circles due to the feeling that the 785,335,826 of bond issues to meet the anticipated deficit is excessively heavy. It is hoped,

however, that increased Government revenues will permit a decrease of 100,000,000 in the amount of bonds required to be issued during the current year. The budget is also criticized as making inadequate provision for agricultural relief measures. Government expenditures to date for relief of the rice growers amount to about 300,000,000 yen, and it is estimated that an additional 100,000,000 yen will have to be spent in connection with the marketing of the 1933 crop. The Minister of Agriculture is requesting an additional appropriation of 150,000,000 yen for the purchase of rice from the Chosen and Taiwan crops. It is anticipated that expenditures for military supplies will be of assistance to commercial interests in Japan generally.

Securities Values Increase (Trans-Pacific, 2/22/34)

On February 1 all Japanese securities were worth 33,990,000,000 yen. Of this sum, stocks accounted for 18,102,000,000 and bonds and debentures 15,888,000,000 yens according to the Tokyo Stock Exchange. Of the latter figure domestic securities totaled 13,241,000,000 yen and foreign securities 2,647,000,000 yen. The domestic securities are further classified as 6,602,000,000 yen in national bonds, 1,885,000,000 in prefectural and municipal bonds, and 4,754,000,000 in debentures.

The total value of securities increased 844,000,000 yen as compared with January 4, 1934, and 10,066,000,000 as compared with November 1, 1931, when securities prices were at their lowest. The total is 3,027,000,000 higher than in July 1929, but 2,951,000,000 lower than in July 1928.

Bonds and debentures issued during the first month of 1934 by municipalities and corporations total 589,067,000 yen. They were issued chiefly for the conversion of old debts.

(Commercial Attache Frank S. Williams, Tokyo, 2/10/34) National bonds were sold by the Bank of Japan during January-February 1934 to the amount of 180,000,000 yen.

According to the Tokyo Stock Exchange, security values March 1 showed a gain of 280,000,000 yen over February 1.

Banks Profit in 1933 (Commercial Attache Frank S. Williams, 1/22/34, and Trans-Pacific, 2/22/34)

The financial position of Japanese banks improved during 1933, as a result of low interest rates on deposits, profits from sale of securities, commissions for underwriting debentures, and an increased activity in trade and security markets. Three important banks showed profits for the last 6 months of 1933, as follows:

	<u>Net Profit</u> (Yen)	<u>Annual dividend rate</u> (Percent)
Mitsui Bank	5,300,423	8
Yasuda Bank	4,325,696	7
Bank of Chosen	926,000	4

The Bank of Japan showed a net profit of 16,355,392 yen for the half year. After payment of dividends at the rate of 10 percent per annum and a contribution of 11,798,231 yen to the Government, undivided profits account was carried forward at 7,714,081 yen, compared with 6,828,921 yen at the end of June 1933.

Nara Banks Combine (Trans-Pacific, 2/22/34)

Four small banks in Nara Prefecture - namely, the 68th Bank, capitalized at 6,000,000 yen, the Yoshino Bank, capitalized at 5,000,000 yen, the Yagi Bank, capitalized at 2,000,000 yen, and the Goshu Bank, capitalized at 1,000,000 yen - have decided to merge, through a proposal from the Ministry of Finance. They signed a provisional contract of merger Monday. The new bank will be opened to business from June, 1.

Report on 1934-35 Budget (Trans-Pacific, 2/22/34)

Disbursements to foreign countries by the Japanese Government from the 1934-35 fiscal year's budget reach 225,101,000 yen, of which 132,338,000 yen is the basic amount and the balance is set aside to defray exchange losses, according to the Ministry for Finance. Details follow,

	<u>General Accounts</u>		
	(In thousands of yen)		
<u>Item</u>	<u>Fundamental</u>	<u>Increase due</u>	<u>Total</u>
	<u>Amount</u>	<u>to Exchange rate</u>	
Payments for principal and interest of foreign debts	75,224	59,081	134,306
Payments for obligatory expenses	4,370	4,220	8,591
Personnel expenses	8,626	5,045	13,671
Stores (purchase) expenses	33,415	11,289	44,705
Total	121,637	79,637	201,274
	<u>Special Accounts</u>		
Payments for principal and interest of foreign debts	3,849	2,361	6,210
Payments for obligatory expenses	5,792	9,546	15,339
Personnel expenses	870	662	1,532
Stores (purchases) expenses	189	55	245
Total	10,701	13,125	23,827
Grand total	132,338	92,762	225,101

Exports and Imports of Specie and Bullion (Annual Economic Report for 1933,
Office of Commercial Attache, Tokyo,
2/3/34)

Exports of gold coin and bullion during 1933 were valued at 20,925,393 yen, and silver coin and bullion at 7,682,246 yen, compared with 112,700,981 yen and 8,677,069 yen, respectively, for 1932. Imports amounted to only 5,931 yen of gold coin and bullion and 133,862 yen of silver coin and bullion, against 9,054,957 yen, respectively, for 1932. The marked decrease in exports was caused by the and 2,122,095 yen

operation of the gold embargo.

Japan's Invisible Trade for 1933 (Annual Economic Report for 1933, Office of Commercial Attache, Tokyo, 2/3/34)

No Government statistics are available on Japan's invisible trade for 1933 but an estimate has been made by Mr. Kinji Kodoma, President of the Yokohama Specie Bank, which places the total at 897,500,000 yen, with receipts amounting to 455,000,000 yen and disbursements to 442,500,000 yen, giving a favorable balance of 12,500,000. As the visible trade balance was unfavorable in the amount of 85,000,000 yen, there was a net unfavorable balance for the year of 73,000,000 yen.

Gold Purchasing Law of Japan (Commercial Attache Frank S. Williams, Tokyo, 3/9/34)

On March 6, 1934, the Gold Purchasing Law of Japan was introduced into the Lower House of the 65th Session of the Diet. The following is a translation from Official Government Gazette, March 9.

ARTICLE I

The Government, for the purpose of preserving gold within the country, may allow the Bank of Japan to purchase gold and hold it in accordance with rules and regulations to be made by the Minister of Finance.

ARTICLE II

The Bank of Japan shall receive approval from the Minister of Finance as to the purchase price of all gold bought for Government's account.

ARTICLE III

The gold purchased, in accordance with this law, shall be applied to the note issue reserve of the Bank of Japan.

ARTICLE IV

The Government shall assume the loss between the purchase price (at present 9.94 yen per momme) and the legal price, (750 milligrams pure gold equals 1 yen) and such loss shall be covered by Government loan notes to the Bank.

In the case of the above loan notes, no interest shall be paid and the maximum amount of the loan shall be 100,000,000 yen.

ARTICLE V

The Government, when it deems necessary for the purpose of making payments in a foreign country, or for other reasons, may order the Bank to transfer the purchased gold to the National Treasury Account in the same bank at the purchase value. In such cases, the Bank shall pay the Government an amount equal to the difference between the purchased price and the value calculated at 1 yen equals 750 milligrams pure gold, in accordance with a definite rule to be made by the Minister of Finance.

ARTICLE VI

The Bank of Japan, when any profit results out of purchasing and holding gold in accordance with this law, shall pay the full amount of such profit to the Government, in accordance with a definite rule to be made by the Minister of Finance.

ARTICLE VII

The obligation of the Government (loan notes) mentioned in Article IV, paragraph I, shall be paid at the time of payment mentioned in Article V, paragraph II. (In other words, the Government accepts its own loan notes as payment for gold transferred to foreign countries or for "other reasons".)

ARTICLE VIII

The Government shall repay the Bank of Japan its note-issue tax, paid for the issue of notes for the purpose of purchasing gold, in accordance with a definite rule to be made by the Minister of Finance.

APPENDIX

This law shall be enforced on the date of promulgation.

The object of this law is to enable the Government to reimburse the Bank of Japan for the expenses involved in acting as the Government's purchasing agent and depository for gold. The Japanese Government's gold standard of value for the yen is 5 yen per momme. The value of the various denominations of gold yen coins has not changed since the Government raised its purchase price of gold from 3 yen per momme in March 1932. Since that date, the Ministry of Finance has increased the purchase price first to 7.25 yen per momme on March 7, 1932; again on April 24, 1932, to 8.88 yen per momme; and on November 24, 1933, to 9.94 yen per momme. Furthermore, all gold now held by the Bank of Japan for the Government's account and as a reserve against its note issue, is valued by the Government Mint at 5 yen per momme.

MANCHERIA (MANCHUKUO)

(One Manchukuo Yuan = about \$0.33)

Trade Shows Import Balance (Far Eastern Review, February 1934)

According to a bulletin issued by the Bureau of Commercial Affairs, Hsinking (Changchun), total imports into Manchuria (Manchukuo) for the first seven months of 1933 amounted to 315,000,000 Manchukuo yuan and exports to 301,000,000 M.Y. For the first 6 months there was a slight export balance, but this was offset by the import balance of 20,000,000 M.Y. in August. These figures reveal a notable change in the balance of trade as compared with previous years, Manchuria having as a rule had a substantial excess of exports. In the 12 months of 1932, for example, imports were only 193,000,000 Haikwan taels and exports 395,000,000 Haikwan taels. Taking a ratio of Manchukuo yuan to Haikwan taels of 1.56 to 1, it will be seen that the change is due mainly to an increase in imports in 1933, particularly of goods needed in connection with the development of the country.

NETHERLAND EAST INDIES

(On March 27, 1934, one guilder, or florin, = \$0.6730)

Netherland India Anticipates Budget Deficit (Consul General E. S. Patton,
Batavia, 1/25/34)

The 1934 budget for Netherland India is announced as follows:

	Net Figures	
	Ordinary budget (Florins)	Extraordinary budget (Florins)
Expenditures	393,113,000	13,659,000
Receipts	295,538,000	22,019,000
Deficit	97,578,000	Surplus 8,360,000
Total deficit	89,218,000	

As originally drafted, the budget showed net ordinary receipts of 267,000,000 florins, but new measures that have been introduced have increased the estimate of receipts. One of these measures is the increased tariff on imports, which went into effect January 10, 1934, and which is expected to provide additional revenue of 9,300,000 florins. Increased corporation and income taxes and higher excise taxes on sugar and beer are also expected to improve revenues. A coupon tax which went into effect January 1, 1934, is expected to bring an additional income of 840,000 florins, which is not taken into consideration in the budget as announced.

The 1933 deficit was apparently about 44,000,000 florins greater than the original estimate of 97,969,000 florins. Total receipts for 1933 were about 90,000,000 florins short of the estimate, with expenditures only about 46,000,000 florins below the amount anticipated.

The funded debt at the end of 1933 is 1,261,355,661 florins. The 1934 budget carries an item of 49,607,705 florins for sinking fund and 59,675,714 florins for interest charges, service on the funded debt thus representing about 37 per cent of the estimated ordinary receipts for 1934.

The floating debt at the end of 1933 was estimated at 250,000,000 florins, not including the 1933 deficit. Including the deficits anticipated for 1933 and 1934 the floating debt will be about 481,000,000 at the end of 1934. If this sum is consolidated with the funded debt, as will presumably be necessary, the total debt will reach 1,633,000,000 florins, on which service will be at least 115,000,000 florins per annum. With revenues shrinking, it is felt that it may be necessary to call on the mother country for assistance in relieving this burden.

PALESTINE

(One Palestine pound is equivalent to one pound sterling, or on March 27, 1934 = \$5.0983)

Industrial Enterprises Increase (Various sources)

The Department of Economics and Trade and Industry of the Jewish Agency Executive reports that during the latter half of 1933 Jewish capital has established 133 new factories in Palestine. Of these, 25 are classified as metal-working,

11 as wood-working, 16 textiles, 22 building materials, 13 foodstuffs, 5 leather-working, 13 clothing manufacturers, 8 chemical products, 9 printing presses, and 11 miscellaneous. These investments bring the total of Jewish money invested in Palestine in 1933 to 5,500,000 pounds, of which 800,000 pounds was invested in industrial and transportation enterprises. In 1932, total investments amounted to 3,250,000 pounds, of which about 500,000 pounds went into industrial and transportation enterprises. In the first 2 months of 1934, there were officially registered 14 new cooperative societies, 65 partnerships and 19 joint-stock companies. Among these was a new finance corporation with a capital of £100,000, with subscribers in England, South Africa, Egypt, and America, as well as in Palestine.

Financial Position Strong (Near East and India, 3/1/34)

For the 9 months ended December 31, 1933, revenue of the Palestine Government amounted to LP2,725,230, an increase of LP683,327 as compared with the corresponding period of the previous year, while expenditures amounted to only LP1,876,235, an increase of LP130,755. Customs contributed LP1,337,687 of the revenue, an increase of LP401,080. On December 31, the surplus in the Palestine Treasury was LP2,144,419, as compared with LP2,136,295 on April 1, 1933, the beginning of the fiscal year.

PERSIA

(The rial has a par value of approximately \$0.4120)

Note Circulation (Charge d'Affaires George Wadsworth, Teheran, 1/20/34)

The report of the Currency Board as of October 22, 1922, shows a total of notes "handed to the National Bank for circulation" of 217,733,450 rials, of which 11,655,000 rials were held by the Bank and the balance were in circulation. Against these there is a fixed reserve of 150,000,000 rials, or about 69 percent of the issue, held in silver coin under two keys, of which one is held by the bank and the other by the Currency Board. The balance of the reserve is held by the bank, as follows:

	Rials
Rials and krans (silver) - - -	160,749,542
Bar silver - - - - -	5,256
Gold - - - - -	196,308
Total - - - - -	160,951,106

This does not include 5,000,000 rials held by the National Bank awaiting coinage, nor does it include gold and silver belonging to the Imperial Government and deposited with the National Bank, amounting to approximately £3,400,000. Foreign exchange, carried in previous statements as part of the reserve, is not mentioned.

The Persian Currency Law provides that a reserve must be maintained equal to 100 percent of the notes and nickel coins in circulation, and that the Government must have in circulation silver coins to the amount of at least 60 percent of the note circulation. The latter provision has apparently been interpreted to mean that at least 60 percent of the reserve for the note issue must be kept in silver coins in the fixed reserve. Up to October 22, 1933, new nickel coins had been minted to the amount of 750,000 rials, of which 660,500 rials were in circulation. It is clear that the reserve held by the Bank, including the fixed reserve, complies with the 100 percent requirement of the Currency Law, with an ample margin.

On July 16, 1933, note circulation amounted to 187,344,700 rials, not including 7,665,000 rials held by the Bank. The fixed reserve amounted to 122,000,000 rials, and other reserves held by the Bank were as follows:

	Rials
Rials and krans	183,187,866 (plus 5,000,000 awaiting minting)
Bar silver	5,256
Gold	132,565 (not including gold belonging to the Government)
Foreign exchange	35,268,192
Total	219,099,879

TURKEY

(The new par of the Turkish pound is \$7.4439)

1934-35 Budget Submitted (Commercial Attache J.E. Gillespie, Istanbul, 3/5/34)

The Minister of Finance has submitted to the Grand National Assembly of Turkey a budget for the fiscal year ending May 31, 1935, which estimates expenditures at 173,780,727 Turkish pounds, compared with 170,474,794 Turkish pounds in 1933-34, and 169,146,747 Turkish pounds in 1932-33. The estimate of revenues is not given, but it is reported that a small surplus will be anticipated. In order to attain that result, the following new fiscal measures have been proposed:

- (1) An increase in the consumption tax on sugar from 8 to 10 piasters per kilo (applicable only to domestic sugar).
- (2) An increase in the tax levied on the consumption of electricity. (The present tax is 5 percent on the bill of each consumer, and it is proposed to add a tax of 2 piasters per k.w.h.)
- (3) A tax of 1 piaster per cubic meter on the consumption of gas, to replace the present tax of 5 percent on consumers' bills.
- (4) The collection of 1 piaster per kilo on all bread produced and sold by bakeries.
- (5) The creation of a state monopoly for petroleum and petroleum products.

For the first 6 months of the current fiscal year revenues were reported as amounting to 83,120,000 Turkish pounds, as against 86,974,000 Turkish pounds for the previous fiscal year. For the fiscal year 1932-33, revenues were reported as amounting to 174,841,251 Turkish pounds and expenditures to 170,005,080 Turkish pounds.

Grosvenor Jones, Chief,
Finance and Investment Division.

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DEPARTMENT OF COMMERCE

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No. 156

FAR EASTERN FINANCIAL NOTES

April 19, 1934

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AUSTRALIA

(On April 10 one Australian pound = \$4.1133)*

*In the April issue, the Australian Pound was quoted incorrectly at \$5.0983. Correct rate was \$4.0587 on that date.

Australia's Short-term Debt (Trade Commissioner E. C. Squire, Sydney, 3/15/34)

As of January 31, 1934, the combined short-term debt of the Australian Commonwealth and States amounted to £84,150,000 (Australian), of which £33,875,000 was held in London and £50,275,000 in Australia. This represents a decrease of £693,000 for the month which is, however, more than offset by a decrease of £1,545,000 in credit balances held by the Government in banks. Credit balances as of January 31, 1934, amounted to £2,571,000, -- £206,000 in London and £2,365,000 in Australia.

Western Australia Shows Deficit (Western Australia Government Gazette, 2/14/34)

The State of Western Australia operated at a deficit of £800,000 for the 6 months ended December 31, 1933, increasing the floating debt to £5,161,000. Revenues amounted to £3,773,000, including £479,000 from taxation, £537,000 from the Commonwealth, and £2,097,000 from State enterprises and public utilities. Expenditures amounted to £4,573,000, including £1,806,000 for debt service and £1,387,000 for public utilities. For the corresponding 6 months of 1932, revenues were £3,671,000 and expenditures £4,545,000.

Money Market Ample Supplied (The Times Trade and Engineering Supplement, 3/31/34)

There appears to be an ample amount of money for investment in Australia, and prices of government securities as well as industrial shares have been forced upward. There is so much idle money in the banks that some of them are refusing to take fixed deposits. It is believed that it will not be necessary in the near future to go to the London market for loans.

Official returns show a merchandise export balance of £20,553,000 for the 6 months ended December 31, 1933, compared with £6,539,000 for the corresponding period of 1932. Including bullion and specie, the export balance for the last half of 1933 was £24,101,000, an increase of £15,000,000 as compared with the last half of 1932.

Consultations are being held with representatives of France, Belgium, Japan, Greece, Poland, Norway, Spain, China, and Italy with a view to the negotiation of trade treaties.

BRITISH INDIA

(On April 10 one rupee = \$0.3882)

Remittances Exceed Budget Program (Budget Speech of Sir George Schuster, Gazette of India Extraordinary, 2/27/34)

In his speech introducing the new budget (outlined in Far Eastern Financial Notes No. 155) the Finance Minister, Sir George Schuster, stated that sterling remittances during the fiscal year ending March 31, 1934 will far exceed the original estimate of requirements, of £21,000,000, owing to an unexpectedly large merchandise export balance and continued shipments of gold. The latter, after falling off during a period of several weeks, again became very active in January, when the increased dollar price of gold was reflected in a higher sterling price. The revised estimate of remittances is placed at £37,460,000, but with over £36,000,000 already remitted by February 20, it seems likely that the total will exceed even the revised estimate. This does not include £3,810,000 received from the sale of silver. With no expansion or contraction of currency, the substantial surplus of remittances over the requirements of the Secretary of State is being used to strengthen the external currency reserves by adding sterling securities to the Gold Standard Reserve, permitting the transfer of an equivalent amount of gold to the Paper Currency Reserve and the corresponding cancellation of ad hoc securities in the latter. Thus, it is estimated that the note issue will be covered at the end of the fiscal year by gold and external securities to the extent of about 60 percent if gold is taken at its statutory value, or 75 percent if valued at its present market price. Gold holdings in the Paper Currency Reserve amounted to 374,785,000 rupees on February 22, 1934, compared with 256,159,000 rupees on February 22, 1933, the increase being balanced by a decrease of about 107,000,000 rupees in silver holdings and an increase of about 24,000,000 rupees in note circulation. Ad hoc securities increased about 11,000,000 rupees. The Finance Minister apparently anticipates having sterling resources on hand by the end of the fiscal year sufficient to increase the gold holdings of the Paper Currency Reserve by about 60,000,000 rupees, to give the ratio mentioned. The £40,000,000 (equivalent to about 533,000,000 rupees) held in the Gold Standard Reserve is included in figuring the ratio of gold and external securities to the note issue.

Purchase of sterling during the year necessitated an increase in outstanding treasury bills to 300,000,000 rupees. It is planned to continue the outstanding amount at about that figure, as it is a cheaper method of borrowing than through long-term loans and provides an investment for short-term money that is welcomed by the money market.

Funded debt was discharged during the year to the extent of 425,000,000 rupees in India and £14,160,000 in England. A new loan in the amount of 308,200,000 rupees, paying $3\frac{1}{2}$ percent, was floated in India. In England a 4 percent loan in the amount of £11,700,000 and a $3\frac{1}{2}$ percent loan in the amount of £10,000,000 were floated. The program substantially reduced interest charges, as the bonds retired were 4 to 6 percent in the case of the rupee issues, and 6 percent in the case of the sterling issues.

It does not appear likely that there will be much new financing in the fiscal year 1934-35. The only maturity is 130,000,000 rupees of a $4\frac{1}{2}$ percent issue, which may easily be taken up out of receipts from expected sales of Post Office Cash Certificates, plus £2,850,000 still to be realized from the last sterling loan. Loans amounting to £29,000,000 and about 470,000,000 rupees are callable in 1934 to 1936, however, and some of these may be converted at more favorable interest rates.

Railway Budget Improving (Trade Commissioner C. E. Christopherson, Calcutta, 2/27/34)

In presenting his annual budget to the Legislative Assembly on February 17, the Minister of Railways reported that the deficit for the year ended March 31, 1934, is estimated at 75,000,000 rupees, compared with 102,500,000 rupees in 1923-33 and 92,500,000 rupees in 1931-32. He is budgeting for a deficit of 52,500,000 rupees for the fiscal year 1934-35.

The revised 1933-34 budget figures vary little from the original estimate, receipts of 887,500,000 rupees being 5,000,000 less than the anticipated amount. Expenses were kept with the budget provision of 640,000,000 rupees, leaving a net profit of 247,500,000 rupees before interest charges of 325,000,000 rupees. It is pointed out that interest charges of Indian railways are high because of the fact that the railways are financed entirely by bond issues, having no capital stock outstanding.

Silver Duty Reduced (Budget Speech of Sir George Schuster, Gazette of India Extraordinary, 2/27/35)

In his budget speech of February 27, the Finance Minister announced a reduction in the duty on silver to 5 annas an ounce, effective immediately. A duty of 4 annas an ounce was imposed on silver in February, 1930, after it had been on the free list for 10 years. The following year the duty was increased to 6 annas, and the general surcharge of 25 percent on nearly all import duties, imposed in September 1931 as a revenue measure, increased it to $7\frac{1}{2}$ annas. In announcing the reduction to a basic duty of 4 annas plus the 25 percent surcharge, the Finance Minister pointed out that the $7\frac{1}{2}$ -anna duty was a failure as a revenue measure, since it was an effective barrier to imports. The reduction is expected, in fact, to increase the revenue to 500,000 rupees in the coming year, as compared with 100,000 rupees received from the silver duty in 1933-34. The reduction was also recommended as a measure of cooperation with the United States and other countries which participated in the London Silver Agreement.

CHINA

(On April 10 one yuan = \$0.3481)

Per Capita Indebtedness Small (Commercial Attache Julean Arnold, Shanghai, 3/19/34)

China's foreign obligations as of December 31, 1933, including loans under the control of the Ministry of Finance, the Ministry of Railways, and the Ministry of Communications, converted at exchange rates prevailing at that date, amounted all together to approximately

1,455,000,000 yuan. Internal loans outstanding on the same date, including railway loans in silver currency, amounted to about 825,000,000 yuan. The total of 2,280,000,000 yuan represents a per capita debt of only about 5.30 yuan, not including accrued interest. This compares with a per capita debt equivalent to 538 yuan for the United States, 2,550 yuan for Great Britain, 1,045 yuan for Japan, and 1,764 yuan for Australia. The comparison is more striking when it is taken into consideration that the Chinese figure includes the debt of railroads and telegraph companies. (Note: It is not stated what proportion of the Chinese debt is productive. It must also be taken into consideration that even such a small per capita burden may be relatively heavy in a country with low per capita wealth and taxable resources. Even considering these factors, however, the Chinese debt appears moderate.)

Clearing House Finishes First Year (Finance and Commerce 3/7/34)

The clearing house of the Shanghai Bankers Association started to function on January 10, 1933, with a membership of 32 Chinese modern-style banks. During the latter part of the year 3 additional banks were admitted. Only clearings in standard dollars, or yuan, were handled at the start, and on the first day 1,247 items were cleared with a value of 2,150,164 yuan. After February 1, clearances in transfer dollars were also handled. Clearances in taels were handled after February 16 and transfer taels after March 1, but clearings in the latter two media were discontinued on April 6 in compliance with an order from the Ministry of Finance. During the year a total of 90,266 items were cleared with a total value of 1,966,451,761 yuan, with a daily average of 3,104 items totaling 6,576,762 yuan. The daily average increased from 2,000,000 yuan in January to 5,000,000 yuan in April and 9,000,000 yuan in September. In December the average was 8,000,000 yuan. The increase was due partly to the admission of new clearing members and to increased handling of clearings on behalf of nonmembers during the latter part of the year. The relation of balance of clearing to total clearings was 40.16 percent for March but became smaller after the abolition of tael clearing, and had fallen to 27.06 percent in December.

Exchange (Assistant Commercial Attache A. Bland Calder, Shanghai, 3/6/34)

The average exchange rate for the Chinese customs gold unit during February 1934 was 67.2604 cents U.S. for telegraphic transfers on New York. In January the average rate was 64.4687 cents U.S. The average telegraphic transfer rate for the Chinese standard yuan was 33.93125 cents U.S. for February 1934, compared with 32.35 cents U.S. for January.

EGYPT

(One pound Egyptian = 1.01572 times one pound sterling, or on April 10 = \$5.2436)

Currency Circulation in Egypt as of January 1934 (Commercial Attache Charles E. Dickerson, Jr., Cairo, 3/13/34)

Circulation of paper currency on January 13, for the years 1932, 1933, and 1934 is reported by the Statistical Department of the Ministry of Finance, as follows:

	1934	1933	1932
	(in thousands of Egyptian pounds)		
Bank notes of the National Bank of Egypt....	19,838	18,472	19,246
Currency notes of the Egyptian Government..	51	51	51
	19,889	18,523	19,297
<u>Subsidiary money in Circulation on the same dates was as follows:</u>			
Silver.....	4,291	4,171	4,201
Nickel.....	810	796	780
Bronze.....	41	37	35
	5,092	5,004	5,016

HONG KONG

(On April 10 one Hong Kong dollar = \$0.3884)

Note Issue to be Increased (Commercial Attache Julean Arnold, Shanghai, cable of 4/4/34)

A shipment of 10,000,000 taels of silver was made from Shanghai to Bombay on March 27 to be coined into Hong Kong dollars. The coins are to be shipped to Hong Kong to be used as reserves for an additional note issue of 20,000,000 dollars, required mainly on account of the increased demand for Hong Kong currency by the Province of Kwantung.

JAPAN

(On April 10 one yen = \$0.3032)

National Debt (Commercial Attache Frank S. Williams, Tokyo, 3/14/34)

The funded debt of the Japanese Government at the end of February amounted to 7,814,-657,000 yen, of which 6,400,059,000 yen was internal and 1,414,598,000 yen external. This compares with a total of 7,819,374,000 yen at the end of January, the reduction being due to the redemption during February of 6½ percent dollar bonds, equivalent to 4,716,306 yen. In addition to its funded debt the Government had outstanding short-term obligations in the form of rice notes to the amount of 401,476,506 yen. No national bonds were issued during February but rice notes were issued in the amount of 129,202,110.

It is reported that the Government is negotiating with the Bank of Japan regarding a 200,000,000-yen issue of bonds to be offered before the close of the fiscal year, March 31, 1934. It is understood that the interest rate will be 4 percent and the issue price 98.50.

The bond market continued very active during February. Although no national bonds were issued, there were 73 new issues of municipal bonds amounting to 181,060,000 yen, of which 54, amounting to 126,837,000 yen, were conversion issues. Bank debentures were issued in the amount of 53,000,000 yen, of which 42,000,000 yen were conversion issues. There were 19 new issues of company debentures amounting to 186,510,000 yen, of which 12 issues, amounting to 177,480,000 yen, were conversion issues.

According to a statement recently given to the Diet, Japanese securities in foreign currencies outstanding as of October 1, 1933 were as follows:

	Held at home	Held abroad	Total
	(Thousands of yen)		
National bonds.....	264,378	283,900	548,278
Prefectural bonds..	21,706	18,766	40,472
Debentures.....	85,789	28,531	114,320
Total.....	371,873	331,197	703,070

It is believed that the amount outstanding at the present time is somewhat lower.

Foreign securities held by Japanese citizens as of October 1, 1933, were as follows:

	Held at home	Held abroad	Total
	(Thousands of yen)		
National bonds.....	12,618	227,828	240,446
Prefectural bonds..	239	13,052	13,291
Debentures.....	1,527	24,946	26,473
Stocks.....	38,780	39,984	78,764
Total.....	53,164	305,810	358,974

Japanese deposits in foreign countries totaled 242,853,000 yen as of the same date, and short-term debts to foreign banks totaled 142,105,000 yen.

Japanese bonds and debentures issued in foreign currencies have recently been listed on the Tokyo Exchange. They have for some time been traded in on the Osaka Exchange. Since they pay higher interest rates than most domestic issues, they have been increasing in popularity with the comparative stability of the yen-dollar exchange.

1933-34 Deficit Less than Anticipated (Commercial Attache Frank S. Williams, Tokyo, 4/2/34 and 4/5/34)

The budget for 1933-34 originally anticipated a deficit of 895,000,000 yen, to be covered by bond issues. At the end of the fiscal year (March 31, 1934) however, it appeared that revenues were about 90,000,000 yen better than the budget estimate while expenditures were 50,000,000 yen less, reducing bond-issue requirements by about 140,000,000 yen. The last issue for the fiscal year was offered March 29, amounting to 160,000,000 yen of 25-year, 4 percent bonds, offered at 98.50.

Exchange Holdings Large (Trans-Pacific, 3/15/34)

Speaking in the Lower House of the Diet the Finance Minister made the following remarks about exchange holdings of the Yokohama Specie Bank:

Foreign currencies now held by the Yokohama Specie Bank amount to about 350,000,000 yen. This is the reason why the Government has not found it necessary to ship gold to London and other points abroad. A number of difficulties confront the future of Japan's foreign trade. This country may have to meet a situation in which an international exchange agreement may be concluded in the future. When Japan holds such an enormous sum in foreign currencies, she will feel reassured in participating in such an agreement. These currency holdings will add to Japan's international credit, and the country does not feel uncertainty over a possible change in international financial conditions. The Yokohama Specie Bank, however, may lose on its business through these holdings.

Import Excess Lower (Trans-Pacific, 3/8/34)

According to the Finance Ministry, Japan's foreign trade showed an excess of imports amounting to 34,597,000 yen in the first 2 months of 1934, compared with 128,815,000 yen for the corresponding period of last year. This was due largely to increased exports. In the first 2 months of 1934 total exports were 286,774,000 yen, an increase of 60,438,000 yen as compared with the corresponding period of 1933, while imports were 321,371,000 yen, a decrease of 33,780,000 yen. Exports for the first 2 months of 1934 show an increase as compared with the previous year in nearly all categories, exceptions being wheat flour, refined

sugar, marine products, coal, and paper. Most notable increases were in raw silk, cotton, silk and rayon textiles, machinery, metal wares, and canned provisions. Imports of cotton were much lower than in the 1933 period, but there was a substantial increase in wool imports.

Bank Deposits Increase (Commercial Attache Frank S. Williams, Tokyo, 3/14/34)

Total deposits of the 37 banks associated with the Tokyo Clearing House amounted to 2,360,034,000 yen on March 3, an exceptionally high level. Special current deposits amounted to 503,038,000 yen on March 3, establishing a new record high level. Since special current deposits belong chiefly to middle-class and small traders, the expansion in this item is considered as reflecting a decided improvement in the financial condition of these classes of depositors. Redemption of government bonds and private payments for newly issued securities are understood to account for part of the increase in deposits. Call loans amounted to 380,-258,000 yen on March 3, the highest point reached since January 1927.

Postal-savings deposits amounted to 2,845,698,000 yen on February 28, a gain of 8,423,-035 yen for the month. The total number of depositors was 41,376,813, an increase of 255,-846.

Banks Earn Profits in 1933 (Commercial Attache Frank S. Williams, 3/14/34)

Net profits earned by 8 of the largest banks in 1933 were as follows:

	First half 1933	Second half 1933	Dividends
	(Thousands of yen)		per annum
			(percent)
Mitsubishi.....	5,427	5,187	8
Mitsui.....	5,240	5,300	8
Sumitomo.....	4,032	5,151	--
Yasuda.....	4,254	4,326	7
Dai Ichi.....	3,389	4,387	—
Bank of Taiwan	564	576	3
Industrial Bank	2,445	2,790	6
Hypothec.....	6,292	6,291	10

Secret Funds Allotted (Commercial Attache Frank S. Williams, Tokyo, 3/14/34)

Secret funds to cover entertainment and emergency expenditures have been allotted for the 1934-35 fiscal year in the amount of 13,814,800 yen, of which 7,334,000 yen are allotted to the War Ministry. The disposition of these funds is entirely in the hands of the departments to which the allotments are made, and there is no public accounting of them.

Bonds Repurchased by Utility Companies (Trade Commissioner Paul P. Steintorf, Tokyo, 3/16/-34)

Japanese electric power companies received authority from the Department of Finance under the Exchange Control Law for the expenditure of approximately 34,000,000 yen in 1933 for the repurchase of their dollar bonds. At the average rate of exchange for 1933 this would have given them about \$8,500,000 to use in the purchase of their unmatured bonds.

New Utility Issue (Commercial Attache Frank S. Williams, Tokyo, 3/14/34)

Directors of the Tokyo Electric Light Company on March 5 decided to issue open-end mortgage debentures to the amount of about 170,000,000 yen. Of the total 140,000,000 yen is to be issued for the conversion of outstanding debts.

Industrial Output Increased (Trans-Pacific, 3/8/34)

According to the Ministry for Commerce and Industry, the output of nearly all of the principal industries was considerably higher in 1933 than in 1932. Exceptions were copper with a production of 68,455,000 kilograms in 1933 against 71,012,000 kilograms in 1932, and crude oil with 2,183,000 hectoliters in 1933 compared with 24,496,000 hectoliters in 1932.

Production of some other principal commodities was as follows:

	1933	1932
Cotton yarn (bales).....	3,099,000	2,810,000
Wool (kilograms).....	30,550,000	26,376,000
Tops (kilograms).....	23,644,000	20,058,000
Cotton textiles (yen).....	742,752,000	539,261,000
Silk textiles (yen).....	322,779,000	313,862,000
Rayon textiles (yen).....	150,019,000	121,740,000
Silk-cotton mixtures (yen).....	22,071,000	20,806,000
Rayon-cotton-hemp-wool mixtures (yen)....	39,885,000	28,210,000
Gold (grams).....	13,492,000	12,334,000
Silver (grams).....	185,345,000	163,035,000
Coal (metric tons).....	30,049,000	26,081,000
Portland cement (metric tons).....	4,781,000	3,731,000
Wheat flour (sacks).....	38,866,000	34,758,000
Refined sugar (piculs).....	6,151,000	5,113,000

STRAITS SETTLEMENTS

(On April 10 one Singapore dollar = \$0.6037)

Improvement Seen in Government Finances (Trade Commissioner Julian B. Foster and Assistant Trade Commissioner Carl H. Boehringer, Singapore, 2/24/34)

Preliminary data covering revenues and expenditures of the various administrations of the Straits Settlements Government for 1933 indicate that there will be a small surplus instead of the S\$5,628,146 deficit anticipated in the budget. The situation in the Federated Malay States and in the principal Unfederated Malay States appears equally bright. The following summary of revenues and expenditures in recent years (figures for 1933 being estimated on the basis of 11 months data) shows how expenditures have been reduced to meet lower revenues:

Summary, Revenue and Expenditure, British Malaya, 1929-33

REVENUE	1929	1930	1931	1932	1933
S. S.	54,888,291	32,408,305	26,601,527	44,562,294	*29,895,288
F.M.S.	81,799,584	65,560,870	52,348,659	43,817,151	*46,348,554
U.M.S.	28,579,959	23,488,982	19,890,570	19,680,466	20,751,909
	165,267,834	121,458,157	98,840,756	108,059,911	96,995,751
EXPENDITURE					
S.S.	35,711,996	39,240,314	46,802,558	34,196,482	*29,579,897
F.M.S.	84,660,975	82,470,192	62,163,328	53,740,139	*44,839,929
U.M.S.	27,452,343	28,212,781	23,729,719	19,628,766	19,788,517
	147,825,314	149,923,287	132,695,605	107,565,387	94,208,343

* Estimated 12 months based on 11 months' data.

The 1934 budget for the Straits Settlements anticipates a deficit of S\$5,471,471. Revenue is estimated at S\$28,513,384 and ordinary expenditure at only S\$28,009,431, but there is a provision of S\$5,975,424 for extra-ordinary expenditures, chiefly for public works.

The Federated Malay States anticipate a deficit of S\$3,783,000 for 1934, with revenue estimated at S\$46,133,000 and expenditure at S\$49,916,000. In announcing the budget, the acting Chief Secretary pointed out that the cash resources of the Federated Malay States could not stand the strain of such a deficit, and recommended drawing on the securities in the Opium Reserve Fund, which amounts to over S\$19,000,000. The public debt in the Federated Malay States amounted to S\$96,185,714 in September 1933.

Indicative of the fact that individuals as well as Government administrations are living within their incomes, the note circulation has declined 42 percent in British Malaya between 1928 and 1933. In the same period, aggregate Government revenues have declined 41 percent and expenditures 45 percent.

TURKEY

(The Turkish pound is equivalent to 12.06 French francs, or on April 10 = \$0.7960)

Import Quotas and Restrictions (Commercial Attache Julian Gillespie, Istanbul, 3/19/34)

On February 19, the Turkish Council of Ministers adopted a decree establishing import quotas and restrictions for the 6 months April-September 1934. All items in the tariff schedule have been classified in seven groups, as follows:

- (1) Articles which may be imported freely and without being subject to quota restrictions (List "A").
- (2) Articles for which a definite quota is provided, irrespective of the country of origin of the merchandise.
- (3) Articles for which a definite quota is provided, and the quota established distributed among specified exporting countries (List "M").

- (4) Articles the importation of which is prohibited.
- (5) Articles which may be imported upon special authority of the Ministry of Public Health and Social Assistance on condition that the total value of such articles imported during the 6-month period covered by the decree law shall not exceed 600,000 Turkish pounds (List "F").
- (6) Articles whose importation is prohibited, but which may be imported if and when considered by the Ministry of Public Health and Social Assistance as being necessary and indispensable for public health and hygienic purposes.
- (7) Articles which may be imported without being subject to import quota restrictions only upon the special authority of the various ministries (List V).

The Ministry of Economy may, by giving 40 days' notice, limit the free importation of 18 items in Group 1 to countries with which Turkey has clearing conventions or with which the balance of trade is favorable to Turkey and which have not placed any restrictions on imports of Turkish goods.

Some 60 items in Group 2 may be imported without restrictions if they have their origin and are manufactured in countries with which Turkey has clearing conventions or a favorable balance of trade. About 40 items in Group 3 may be imported to triple the amount of the quota established, from countries which, by virtue of clearing conventions, do not require payment in foreign exchange.

Quotas under Group 3 have been established only for the 3 months April-June. Quotas for the succeeding quarter will be announced May 20.

Imports from the United States should not be unfavorably affected, as the balance of trade is favorable to Turkey and a Turkish decree of December 31, 1933 extends to the United States all the advantages obtained by France and Germany through their clearing conventions with Turkey.

Information regarding the treatment of specific items in the quota restrictions may be obtained from the Foreign Tariffs Division, Bureau of Foreign and Domestic Commerce.

Note: Turkey has exchange control as well as import quota restrictions. The Exchange Control Decree is long and complex, but some of the principal points are as follows:

- (a) Speculation in foreign exchange is forbidden.
- (b) Foreign exchange to cover imports of merchandise may be obtained from banks on presentation of invoices and receipts showing payment of customs duty and transactions tax. Special authority must be obtained before exchange will be granted to cover imports of petroleum products, coffee, tea, or sugar. Foreign exchange will not be granted to cover imports from countries which have established exchange control and refuse exchange to cover imports from Turkey.
- (c) Exporters must sell within 15 days to a bank in Turkey, all foreign exchange received in payment for their exports, and must give full details, every 3 months, of goods exported.

(d) Special authorization must be obtained from the Exchange Controller before exchange may be granted to cover imports prior to September 26, 1932.

(e) Reasonable amounts of exchange are permitted to travelers and to students and other residents abroad.

(f) Other transactions may be permitted by special authorization of the Minister of Finance. The law is sufficiently elastic to permit adequate remittances of exchange to cover most imports of merchandise under import quotas, from countries which do not have import or exchange restrictions affecting Turkish trade.)

Clearing Agreement with Switzerland (Commercial Attache Julian E. Gillespie, Istanbul, 3/9/34)

A clearing agreement was negotiated between Turkey and Switzerland on December 29, 1933, and will become effective on the same date as the Turkish-Swiss commercial agreement, which is in preparation. It is understood that the latter provides for the importation of Swiss goods into Turkey outside the quota restrictions so long as they are paid for through the clearing agreement.

The clearing agreement is for a period of 6 months and will be continued for additional periods of the same length until denounced at least 60 days prior to the expiration of any 6-month period. It provides that the value of all Turkish products imported into Switzerland shall be deposited by the importers with the Banque Nationale Suisse in Swiss francs. The value of all Swiss products imported into Turkey shall be deposited in the Central Bank of Turkey in Swiss francs at the bank's official rate of exchange for the day. The sums deposited will be used by the two banks to settle outstanding accounts on the clearing principle. It is provided that 30 percent of the sums deposited by Swiss importers will be placed in a special account of the Banque Nationale Suisse at the free disposal of the Central Bank of Turkey. Swiss exports to Turkey will be limited to 70 percent of the amount of imports from Turkey, leaving a margin of 30 percent in favor of Turkey in the visible trade balance of the two countries. Direct barter agreements between companies in the two countries are permitted.

Compensation Agreement Negotiated with Greece (Commercial Attache Julian E. Gillespie, Istanbul, 3/8/34)

A compensation agreement between Turkey and Greece, signed December 22, 1933, became effective February 1, 1934. Its chief provisions are for the creation of a central tobacco office for the regulation of production and sale of Greek and Turkish tobacco, organization of commercial offices in the two countries to facilitate the exchange of commodities, and regulation by compensation of commercial transfers between the two countries. The compensation agreement covers the period from February 1 to June 31, 1934. For the first 3 months of the period Turkish exports to Greece will be paid for to the extent of 55 percent in foreign exchange and 45 percent in compensation certificates, which will be used to cover the value of Greek exports to Turkey. For the last 3 months of the period Turkish exports to Greece will be paid for, 50 percent in foreign exchange and 50 percent in compensation certificates. The Greek Government engages to take no steps which would place Turkish products at a disadvantage. The Turkish Government has drawn up a list of Greek products which may be imported into Turkey freely and without regard to the quota restrictions.

Five Year Plan Prepared (Commercial Attache Julian E. Gillespie, Istanbul, 3/7/34 and 3/20/34)

A 5-year industrial program is to be adopted in Turkey whereby encouragement will be given to industries which will use raw materials that are produced or can be produced in Turkey, and which will provide for the domestic requirements of the country. Where such industries cannot be undertaken by private capital and initiative, the Government will act directly. The plan contemplates the establishment of textile mills, metal industries, and factories for the production of cellulose products, glassware, ceramics, and chemicals. Foreign capital will be welcomed in the development of many of these industries.

In connection with this program, the Soviet Government has granted Turkey a 20-year credit, without interest, in the amount of \$8,000,000 "American gold dollars calculated according to the weight and fineness of the dollar recognized in America -- one dollar equals 25.80 grains of gold of 0.900 fineness". This credit is for the purchase and setting up of machinery, training of specialists, and other technical cooperation. The Soviet Government agrees to utilize for the purchase of Turkish goods, within 14 months, all repayments by Turkey on account of the credit.

Revenues Continue Lower (Near East and India, 3/15/34)

For the 7 months ended December 31, 1933, revenues of the Turkish Government totaled £97,698,000 (Turkish), a decrease of T£3,511,000 as compared with the corresponding period of the previous fiscal year. Customs returns for the last 5 months of the current fiscal year are expected to improve, however, from increased imports prior to March 1 when the increased tariff rates became effective, and possibly from increased yield from the higher duties after March 1.

UNION OF SOVIET SOCIALIST REPUBLICS
(The new par of the chervonetz = \$8.7127)

Foreign Workmen Cannot Export Savings (Consul Robert B. Macatee, London, 3/10/34)

According to an article in the London Times of March 8, British and other foreign workmen in the Soviet Union have been prevented from taking their savings with them on leaving that country. In one case two British workmen had a contract under which they were to be paid 30 percent of their wages in Soviet currency and were to be permitted to change into sterling any surplus of rubles in their possession at the termination of their employment. When they left the Soviet Union in 1932, however, they were not allowed to take with them the foreign-currency equivalent of their ruble savings. It thus appears that contracts giving the right to exchange rubles into foreign currency do not necessarily imply the right to export the proceeds, a point which should be kept in mind by individuals contemplating accepting employment in the Soviet Union.

Gold Production (Charge d'Affaires a.i. Felix Cole, Riga, 3/1/34)

Production of gold in the Soviet Union in 1933 was 41.5 percent greater than in 1932, according to the Chief of the Gold Administration. This would make the 1933 production about 87,568 kilograms fine, compared with 61,900 for 1932, 52,907 in 1931, and 60,837 in 1913. Production has been rising steadily since 1927 when it amounted to 25,000 kilograms fine.

Grosvenor M. Jones, Chief
Finance and Investment Division.

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New Circular on Newfoundland Finances

The amount of American investments in industry and participation in loans of Newfoundland, the increasing financial difficulties of the Dominion and the subsequent reorganization of the Government are set forth in Special Circular 398 entitled "Reorganization of Newfoundland Finances", released April 19, 1934 by the Finance and Investment Division.

AUSTRALIA

(On April 26 one Australian pound = \$4.0928)

Budget Position Satisfactory (Trade Commissioner E. C. Squire, Sydney, 3/16/34)

Although the Australian Commonwealth and States showed an aggregate deficit of £7,067,000 for the first 8 months of the fiscal year ended June 30, 1934, only a slight improvement as compared with the £7,215,000 deficit for the corresponding period of the previous fiscal year, it is believed that the deficit for the full year will be within the budget estimate. It is estimated that relief to wheat growers will cost £3,000,000 during the remainder of the fiscal year, but the entire burden will not fall on the Commonwealth budget, as a tax on flour for domestic consumption is expected to provide £1,500,000. Customs revenue is holding up well, being about £900,000 in excess of estimates to the end of February. The budgetary position of the Commonwealth and States for the 8 months ended February 28 and the estimated deficit for the 1933-34 fiscal year are as follows:

State	Deficit	Deficit	Estimated
	8 months 1932-33	8 months 1933-34	deficit for year
	£	£	£
Commonwealth.....	*2,466,000	*1,649,000	1,176,000
Victoria.....	2,432,000	2,492,000	700,000
New South Wales.....	3,468,000	2,822,000	3,790,000
Queensland.....	1,189,000	912,000	1,848,000
South Australia.....	1,557,000	1,349,000	933,000
Western Australia.....	994,000	877,000	748,000
Tasmania.....	41,000	264,000	76,000
Total.....	7,215,000	7,067,000	9,271,000

* Surplus

Australian Public Finances (Australasian Insurance and Banking Record, 3/21/34)

Apportionment of the proceeds of the taxation among the Commonwealth and States was the subject of discussion at a Premiers' Conference in Melbourne at the end of February, the following resolution being passed (New South Wales dissenting):

We agree that unless unification is to be adopted as the ultimate goal, amendment of the Commonwealth Constitution is necessary to put the State Governments in a permanently stable position. We are of the opinion that such amendment should take the form of securing to the States financial resources adequate to the proper discharge of their constitutional functions.

It was pointed out by the Commonwealth Treasurer, however, that of the £56,506,490 of revenue anticipated in the 1933-34 Commonwealth budget, £51,500,000 must be allotted to major services of an inescapable nature, including £13,000,000 for payments to States. Other unavoidable items are £19,000,000 for War Services (debt service, pensions, etc.), £11,500,000 for Invalid and Old Age Pensions, £3,165,000 for debt service (other than war debt) and £300,000 for Maternity Allowance. These figures do not include approximately £5,500,000 for interest and sinking fund on indebtedness to the British Government, payment of which is in suspense. There is little room, it is claimed, for further retrenchment, and payments to States could be increased only by increasing taxation.

The burden of taxation has been increasingly heavy, the total of taxes collected by the Commonwealth and State Governments in the 1932-33 fiscal year being £93,471,635, equal to 30.6 percent of the total value of Australian production in 1931-32, which was £305,018,000. The total of taxes collected in 1928-29, by comparison, was £88,829,321, or 19.6 percent of the value of Australian production in the previous year, in spite of the fact that Customs and Excise Revenues, included in the above amounts, was £8,000,000 higher in the earlier than in the more recent year. The 1933-34 Commonwealth budget anticipates £4,416,000 less in revenue from taxation than the budget for the previous year, but the burden is still heavy. Statements presented to the Conference showed that the total of unexpended loan money available January 31, 1934, was £7,000,000, and it was decided to defer further borrowing for public works loans until the meeting of the Loan Council in April or May. A loan of

£2,000,000 to a statutory body to be created in New South Wales, to be used on works for unemployment relief, was approved.

Conversion of Dollar Bonds Not Likely (Australasian Insurance and Banking Record, 3/21/34)

In a statement at Canberra March 13, the Assistant Commonwealth Treasurer remarked that there is little likelihood of any action being taken in the near future to convert Australian dollar bonds at lower rates of interest. Loans which could be converted under favorable conditions with an appreciable saving in interest aggregate about £10,000,000. The situation is being carefully watched, but it is not believed that conditions are favorable or that the present time is opportune for the conversion.

Tasmanian Expenditures Exceed Revenues (Vice Consul Ralph H. Hunt, Melbourne, 3/13/34)

Revenues of the State of Tasmania for the 8 months ended February 28, 1934, amounted to £1,612,242, against expenditures of £1,876,777. The budget estimated revenues at £2,507,553 and expenditures at £2,583,515 for the fiscal year. Income-tax collections in the first 8 months amounted to only £191,403, as against a budget estimate for the year of £437,000. Revenues for the 8 months included £245,509 from railways, while expenditures included £246,445 for railway working expenses.

BRITISH INDIA

(On April 26 one rupee = \$0.3858)

Balance of Trade Improves (Vice Consul F. Russell Engdahl, Calcutta, 3/22/34)

For the 10 months ended January 31, 1934, Indian commodity imports amounted to 959,600,-159 rupees and exports to 1,194,497,775 rupees, while gold exports amounted to 424,770,578 rupees. For the corresponding 10 months of the previous fiscal year commodity imports amounted to 1,124,919,403 rupees, commodity exports to 1,078,567,809 rupees, and gold exports to 568,991,414 rupees. Gold exports in February 1934 were 99,500,000 rupees, compared with 43,800,000 rupees in February 1933.

The favorable trade balance and continued gold exports have permitted the Indian Government to make substantial purchases of sterling for remittance to London, and there has grown up a demand for currency expansion based on surplus sterling reserves. There has also been considerable criticism of the Imperial Bank's policy of keeping a large proportion of its assets in government securities and advances to Government. The Imperial Bank return as of March 9, 1934, shows 495,000,000 rupees in government securities and 85,000,000 rupees in Ways and Means advances to the Government, making a total of 580,000,000 rupees, compared with a total of loans, cash credits, and bills (trade demand) of only 220,000,000 rupees. A prominent Indian financial journal points out that in the past 3 years loans and credits to trade and industry have been reduced 260,000,000 rupees, while holdings of government securities and advances to Government have increased 250,000,000 rupees.

Note: The Imperial Bank Statement of March 23, 1934, showed a decrease of 15,000,000 rupees in Ways and Means advances, bringing the figure down to 70,000,000 rupees. The statements have shown considerable activity in that account, Ways and Means advances having stood at 65,000,000 rupees in the latter part of March, increased to 100,000,000 in the course of 2 weeks, and decreased to 70,000,000 in the course of another 2 weeks. This was apparently due to the fact that tenders for Treasury bills were not at satisfactory rates and the Government adopted the policy of borrowing from the Bank. With improved demand for Treasury bills, the Government has reverted to its usual method of borrowing and has reduced its bank borrowings.

Indian currency rates indicate that the Government has not yet yielded to any extent to the demand for currency expansion but has used its surplus reserves to strengthen the cover for its currency. In the 2 weeks from March 15 to 31, 1934, note circulation increased only by 6,000,000 rupees to 1,772,100,000 rupees. In the same period ad hoc securities held in the currency reserves were reduced 117,900,000 rupees to a total of 294,500,000 rupees, while British Government securities appeared in the reserve for the first time in the return of March 31 in the amount of 82,500,000 rupees. Gold holdings increased by 38,700,000 in the 2 weeks to a total of 415,200,000 rupees, while silver holdings increased by only 2,700,000 to a total of 979,900,000 rupees.

Sterling Tenders Exceed Allotments (Samuel Montagu & Co. Weekly Review of Foreign Exchanges, 4/12/34)

Reports from Bombay indicate that tenders of sterling amounting to £54,000,000 were received April 11, in response to the usual weekly call for tenders. The rate of tenders was 1s. 6 1/16d. The amount of tenders was so far in excess of requirements that only about 1 1/4 percent was accepted.

Exports of gold continue; since abandonment of the gold standard by Great Britain in September 1931, they have amounted all together to £138,586,000.

Bombay Budget Shows Small Surplus (Vice Consul Nathaniel Lancaster, Jr., Bombay, 3/19/34)

A revised estimate of the Bombay Presidency budget for the fiscal year ended March 31, 1934, indicates a small surplus of about 400,000 rupees, compared with an actual surplus of 3,500,000 rupees in the previous fiscal year. The budget presented for the 1934-35 fiscal year anticipates a surplus of 100,000 rupees. Actual results for 1932-33 and estimates for 33-34 and 34-35 are as follows:

	Actual figures for 1932-33	Revised estimates for 1933-34	Budget estimates for 1934-35
	(Thousands of rupees)		
Revenue.....	152,500	154,800	152,300
Expenditure	149,000	154,400	152,200
Surplus.....	3,500	400	100

The Finance Minister in presenting his revised estimates for 1933-34 said that the small surplus was obtained by drastic retrenchment in Government services and economies in other expenditures. The 1934-35 budget anticipates smaller revenues and expenditures than that of the year just completed, but it is stated that it will be impossible to grant any relief from burdensome taxation.

A measure recently introduced in the Bombay Legislative Council to abolish the town duty of 1 rupee per bale of cotton arriving at Bombay will, if passed, remove a source of revenue which was expected to bring in about 1,200,000 rupees, of which four-sevenths would go to Bombay Presidency and three-sevenths be retained by the Municipality of Bombay. It is believed that the measure will certainly be adopted, as it is evident that this duty has been responsible for the diversion of large quantities of cotton to other ports, notably in the Kathiawar Peninsula. It is hoped, however, that removal of the duty will lead to an increase of shipments through Bombay, which will improve business and help to make up part of the loss.

Central Provinces Budget to Balance (Vice Consul Nathaniel Lancaster, Jr., Bombay, 3/19/34)

The Finance Member for the Central Provinces reported to the Legislature on February 26, 1934, that expenditures for the 1933-34 fiscal year had been reduced to a point where the budget will be practically balanced. The budget as originally passed estimated a deficit of 200,000 rupees for the fiscal year. Budget estimates for the 1934-35 fiscal year anticipate revenues of 47,300,000 rupees and expenditures of 47,100,000 rupees.

Burma Revenues Below Expectations (Consul W. H. Scott, Rangoon, 3/13/34)

A revised estimate of revenues of the Province of Burma for the fiscal year ended March 31, 1934, gives a figure of 77,614,000 rupees for ordinary revenues, compared with an original budget estimate of 92,613,000 rupees. The decrease is due to the fact that anticipated improvement in commodity prices and trade conditions have failed to materialize, necessitating large remissions of land revenue. The revised estimate of land revenue is 33,600,000 rupees, a decrease of 8,700,000 rupees from the anticipated figure. Declines are also evident in practically all the other categories, the only one showing an improvement being the unidentified "Other heads."

Ordinary expenditures at 89,327,000 rupees indicate a net saving of 700,000 rupees as compared with the original estimate. Taking into consideration capital expenditures and miscellaneous revenues and expenditures, total revenues are now estimated at 86,490,000 rupees, and total expenditures at 98,273,000 rupees, indicating a deficit of 11,783,000 rupees in place of the originally anticipated surplus of 677,000 rupees. The deficit will be covered by borrowing 11,800,000 rupees from the Provincial Loan Fund of the Government of India, increasing the Province's debt to that fund to 82,302,000 rupees as of April 1, 1934.

The budget for 1934-35 estimates ordinary revenue at 79,960,000 rupees and ordinary expenditures at 86,654,000 rupees. Capital expenditure is estimated at 3,534,000 rupees. The Province expects to borrow 8,550,000 rupees from the Provincial Loan Fund during 1934-35 and to repay 2,040,000 rupees, leaving a balance of 88,812,000 rupees and indebtedness to the fund on April 1, 1935.

CHINA

(On April 26 one yuan = \$0.3258)

Internal Bond Issues (Ki Wan in Chinese Economic Journal, March 1934)

The National Government had outstanding 35 issues of bonds at the beginning of 1933. During the year three new issues were floated, as follows:

Patriotic Treasury Bonds - 20,000,000 yuan - interest rate 5 per mille per month (6 percent per year) - redeemable in 45 monthly installments ending November 31, 1936 - secured on the Rolled Tobacco tax.

Customs Revenue Treasury Bonds - 100,000,000 yuan - interest rate 5 per mille per month (6 percent per year) - redeemable in 150 monthly installments ending March 1946 - secured on customs revenue. Bonds used as security for loans advanced by banks to meet expenses of military operations in Manchuria.

North China War Zone Rehabilitation Bonds -- 4,000,000 yuan -- interest rate 6 per cent per year -- redeemable in 19 quarterly installments, ending July 31, 1938-- secured on revenue from farm and conservancy surtaxes on salt tax in Cheng-lu District.

At the end of 1933 there were 38 issues of National Government bonds, aggregating 1,290,312,003 yuan, of which 372,537,849 yuan had been redeemed, leaving 917,774,154 yuan outstanding. Of the 38 issues, 27 were secured on customs revenues, one on customs surcharges, one on Rolled Tobacco Tax, one on salt surtaxes and one secured as to interest on customs revenue and to principal on export surcharge on silk exported from two provinces. Seven were without specified security.

The Government was able to meet fully in 1933 its internal-bond service as provided for in the readjustment plan of February 1932. Redemptions during the year amounted to 66,-353,211 yuan and interest payments to 46,148,000 yuan.

Banknotes Issued by Chinese Banks (Finance and Commerce, 3/21/34)

According to the Economic Research Department of the Bank of China, total banknotes issued by Chinese banks at the end of 1932 amounted to 430,482,554 yuan, issued by the following banks:

Bank	Amount (Yuan)
Central Bank of China	39,995,360
Bank of China.....	184,426,937
Bank of Communications.....	84,500,925
Commercial Bank of China.....	11,276,873
National Commercial Bank.....	7,088,917
Ningpo Commercial Bank.....	15,094,600
Agricultural and Industrial Bank	4,709,600
National Industrial Bank.....	35,860,485
Land Bank of China.....	5,221,000
Four Banks Joint Treasury.....	32,307,857

Circulation of these notes for the past 7 years has been as follows:

Year	Amount (Yuan)
1926	228,961,547
1927.....	262,563,974
1928.....	308,817,939
1929.....	350,236,085
1930.....	412,968,588
1931.....	393,367,870
1932.....	430,482,554

The figure for 1933 is not yet available.

Foreign Trade in Silver and Gold (Commercial Attache Julean Arnold, Shanghai, 4/19/34)

For the first quarter of 1934 silver imports into Shanghai amounted to 4,118,000 yuan, of which 2,354,000 was from America and 1,642,000 from Hong Kong. Exports amounted to 2,-203,000 yuan, including 1,200,000 to America, 751,000 to Hong Kong and 214,000 yuan to Japan. There were no imports of gold. Gold exports amounted to 6,820,000 customs gold units, all to Great Britain.

Imports of silver into Hong Kong in the first quarter of 1934 amounted to 813,000 Hong Kong dollars, including 767,000 Hong Kong dollars from the United States. Exports amounted to 1,582,000 Hong Kong dollars, including 459,000 Hong Kong dollars to the United States and 1,094,000 to Great Britain. Imports of gold bars and ingots amounted to 3,764,000 Hong Kong dollars, including 2,400,000 from Siam and the remainder from Indo-China and British Malaya. Exports amounted to 18,911,000, including 11,641,000 to the United States, 6,615,000 to Great Britain, and the balance to British Malaya.

Shanghai Silver Stocks (Chinese Economic Bulletin, 3/24/34)

According to a report of the Economic Research Department of the Bank of China based on reports from the foreign and Chinese bankers' associations in Shanghai, the total value of silver shoes held by banks in Shanghai at the end of January was 146,030,000 taels, of which 53,120,000 taels was held by Chinese banks and 92,910,000 taels by foreign banks. Total holdings of yuan amounted to 340,050,000, of which 195,590,000 were in Chinese and 144,460,000 in foreign banks. Total holdings of silver bars amounted to 12,319,000, of which 11,450,000 were in Chinese banks, including those deposited in the vaults of the Central Bank and the Central Mint, and 869,000 by foreign banks. Calculated in terms of yuan, the total reserve of silver in Shanghai banks on January 31, 1934, amounted to 560,105,000 yuan, of which 284,585,000, or 50.81 percent, was in Chinese banks and 275,520,000, or 49.19 percent, in foreign banks.

Imports of silver during the 10 years ended December 31, 1931, amounted to 1,384,000 yuan and exports to 330,000,000 yuan. In 1932, for the first time in recent years exports exceeded imports and in the 2 years 1932 and 1933 imports amounted to only 179,788,000 yuan, against exports of 204,663,000 yuan.

Chinese Railway Obligations (Finance and Commerce, 3/28/34)

According to the Ministry of Railways, obligations of Chinese railways to foreign creditors at the end of 1933 were approximately as follows:

	Yuan
Funded debts in arrears.....	453,000,000
Short-term loans in arrears.....	167,000,000
Materials supplied in arrears.....	109,000,000
Total (principal and interest).....	729,000,000

The total is equivalent to about \$48,600,000, which is substantially less than figures which have been quoted recently in foreign newspapers. It is admitted that China is not in a position to meet these obligations immediately but it is claimed that there is no intention of evading ultimate payment.

According to figures prepared by the auditing department of the Ministry of Railways, the total indebtedness of the Government railways at the end of the fiscal year 1932 was 1,353,684,457 yuan, which presumably included internal indebtedness. During that year 8 Government railways showed a working profit of 17,000,000 yuan and 7 a loss of 18,000,000 yuan, a net loss for all of about 1,000,000 yuan. Included in the income, however, was some 8,000,000 yuan for amounts earned through the transport of troops, which has not so far been received.

Old Manchurian Currencies Being Redeemed (Commercial Attache Julean Arnold, Shanghai, 4/13/34)

The Central Bank of Manchukuo recently announced that by the end of February 1934 it had redeemed 78 percent of the old currencies in circulation in Manchuria, replacing them with the new Manchurian yuan. It expects that the redemption of all the old currencies will be completed by the end of June.

(One Manchurian yuan is equal approximately to one Chinese yuan.)

Manchurian Trade Shows Export Balance in 1933 (Vice Consul J. K. Penfield, Mukden, 3/16/34)

Manchuria's net imports amounted to 489,852,000 Manchurian yuan and net exports to 423,181,000 in 1933, giving an unfavorable balance of trade of 66,671,000 Manchurian yuan. In 1932, net imports were 300,974,000 and net exports 599,761,000 Manchurian yuan, giving a favorable balance of 298,787,000 Manchurian yuan. The trade balance has normally been favorable in the past.

Movements of treasure in Manchurian yuan have been as follows:

<u>Exports:</u>	
Silver coins to Korea.....	75,574
Silver bullion to China.....	1,188,949
Total.....	1,264,523
<u>Imports:</u>	
Silver coins from Japan and Korea..	189,188
Silver coins from China.....	5,885,368
Silver bullion from China.....	2,633
Nickel coins from Japan and Korea.....	20,168
Copper coins from Japan.....	10,125
Total.....	6,107,482

EGYPT

(One pound Egyptian = 1.01572 times one pound sterling, or on April 26 = \$5.2134)

Payment of Interest Coupons (Financial Times, London)

The Egyptian Public Debt Commission announces that coupons of the preferred debt, maturing April 15, 1934, will be paid in paper. In the event of a decision to pay these coupons in gold, holders will receive the difference between the sum actually collected and that payable to them if calculated on the basis of gold parity. The 1932 and 1933 coupons were paid on the same basis.

FRENCH OCEANIA

(On April 26 one franc = \$0.0664)

Exchange Rates Revised for Customs Purposes (Vice Consul Edward B. Rand, Tahiti, 3/19/34)

A decree of March 9, 1934, announces the following new exchange rates for customs purposes:

<u>Foreign Unit</u>	<u>Francs</u>
U. S. dollar.....	16
Pound sterling...	80
Australian pound	64
New Zealand pound	64

The previous rates which had existed since December 30, 1933, were as follows:

<u>Foreign Unit</u>	<u>Francs</u>
U. S. dollar.....	17.50
Pound sterling.....	84.00
Australian pound	68.50
New Zealand pound	68.50

Rates are changed by decree of the Governor of French Oceania when there is a fluctuation of 5 percent or more in the value of any of the currencies listed, in terms of the French franc. Values for customs purposes are based on invoice value plus 25 percent, the amount of the duty being converted into francs at the rates decreed.

JAPAN

(On April 26 one yen = \$0.3028)

Gold Buying Price Revised (Commercial Attache Frank S. Williams, Tokyo, 4/16/34)

The Bank of Japan has notified gold producers of a revision from 11.09 yen to 11.06 yen per momme in its buying price for gold. (One momme = 0.12 oz. Troy). The revision is said to be due to an error in calculation in fixing the price when it was recently raised from 9.94 yen per momme. It is reported that six leading producers have agreed to sell their present stocks of about 1,000 kwan (one kwan = 8.260 pounds Troy) and also their current year's production at the announced price. Total production in Japan for the current fiscal year is estimated at 5,800 kwan in addition to 2,800 kwan in Korea and 500 kwan in Formosa. (Note: The new buying price issued by the Bank of Japan is equivalent to only about \$28 per ounce, or considerably under the American price.)

Bank of Japan Given Monopoly of Government Bond Issues (Frank S. Williams, Tokyo, 4/16/34)

The Finance Department has decided that in the future all government bond issues will be handled exclusively by the Bank of Japan rather than through syndicates of banks as in the past. This move is intended to give the Bank of Japan a closer control of the money market.

Five Banks Predominate
3/28/34)

(Commercial Attache Frank S. Williams, Tokyo,

A significant trend in the financial situation in Japan is the increasing concentration of deposits and loans in the five leading banks, the Dai-Ichi, Mitsui, Sumitomo, Mitsubishi, and Yasuda. Of total deposits of 6,571,000,000 yen at the end of 1933, in the 325 banks which are members of Japanese clearing houses, these 5 banks held 3,710,000,000 yen, or 56 percent. Of the total loans of member banks, amounting to 5,119,000,000 yen, they held 2,172,000,000 yen, or 42 percent. The assets of these 5 banks were invested to the extent of 46.1 percent in loans, 33.7 percent in bonds and stocks, and 20.2 percent in "others". The Sanwa Bank, organized in 1933 by a merger of the 34th, Konoike and Yamaguchi banks, is also an important factor.

Trust Company Resources Reach New Peak (Trans-Pacific, 3/29/34)

Resources of Japanese trust companies increased by 20,289,000 yen in February to reach an all-time high record of 1,425,096,000 yen.

Application for Silver Exchange Filed in Tokyo (Commercial Attache Frank S. Williams, Tokyo, 3/28/34)

Japanese silver bullion dealers have filed an application with the Ministry of Commerce and Industry for the establishment of a silver exchange in Tokyo. It is claimed that such an exchange would assist in covering exchange losses and in settling trade accounts with silver-standard countries. Prominent Japanese banks are opposing the establishment of such an exchange on the grounds that the volume of transactions would not warrant it owing to small domestic production, and that speculation would be encouraged and cornering made possible. Advocates of the exchange point out that the volume of transactions in London is large in spite of negligible production in Great Britain and that cornering would be impossible because of the ease of transporting silver from other countries.

NEW ZEALAND

(On April 26 one pound = \$4.1041)

Revenues Improve (Vice Consul Walter W. Hoffmann, Wellington, 3/12/34)

Government revenues from taxation for the 9 months ended December 31, 1933, amounted to £10,977,054, an increase of £1,526,419, compared with the corresponding period of the previous fiscal year. The increase is due largely to two new taxes, the sales tax which brought in £1,253,538 and the gold export duty which brought in £89,520. There was an improvement of £229,000 in customs and beer duty and £39,000 in income tax, but returns from stamp duty showed a decrease of £198,000.

Expenditures during the 9 months ended December 31, 1933, were £2,031,000 greater than during the corresponding period of 1932 but were less than nine-twelfths of the budget estimate for the fiscal year. The Ministry of Finance points out that actual comparison between revenues and expenditures is of little value at this time, since there will be important transactions during the remaining months of the year. He feels that returns so far are satisfactory and indicate a deficit for the year of less than £2,000,000.

The sales tax, inaugurated in February 1933, has shown consistent improvement in returns in recent months, bringing in £187,649 in January 1934, compared with £166,847 in December 1933. The returns from sales tax have increased each month since July.

STRAITS SETTLEMENTS

(On April 26 one Singapore dollar = \$0.6025)

Foreign Bills Must be Stamped (Trade Commissioner Julian B. Foster, Singapore, 3/7/34)

By a ruling of the Chief Justice of the Straits Settlements Supreme Court, delivered March 6, 1934, foreign bills of exchange which have not been duly stamped in accordance with the Straits Settlement Stamp Ordinance of 1929 may not be accepted in evidence. This would appear to make it impossible to sue on unstamped accepted bills in Straits Settlements courts. The Stamp Ordinance requires that all bills of exchange originating outside the Straits Settlements must be stamped within 30 days after receipt there. By special provision they may be stamped after 30 days, but in any case this must be done before they are presented for acceptance or are negotiated.

Import and Export of Coin Regulated (Assistant Trade Commissioner Carl E. Boehringer, Singapore, 3/8/34)

A bill to regulate the export and import of coin from and into the Federated Malay States has been passed by the Federal Council and approved by the rulers of the four States in the Federation. The bill provides that the High Commissioner may by notification in the Gazette prohibit the importation of coins specified in such notification, whether legal tender or not, the exportation of all legal tender coins specified, and the circulation in the Federated Malay States of foreign coins specified, when they are not legal tender. The High Commissioner may exempt any country from the operation of any notification under this bill. Copper coins of the aggregate nominal value of less than S\$5 and silver coins of the aggregate nominal value of less than S\$25 are exempted. Fines and forfeiture of the coins are the penalty for contravention of the law.

TURKEY

(One Turkish pound = 12.06 French francs or on April 26 = \$0.8013)

New Commercial Agreement with Czechoslovakia (Commercial Attache Julian E. Gillespie, Istanbul, 3/27/34)

A commercial agreement between Turkey and Czechoslovakia was signed March 3, 1934, and became effective immediately. It provides that a large number of Czechoslovak products may be imported into Turkey without reference to the import quota restrictions and that a number of other items may be imported beyond the import quota restrictions but subject to restrictions definitely established in the treaty. All Turkish products, with the exception of those regulated by the Syndicate for the Importation of Cereals and Their Derivatives and by the Syndicate for the Importation of Animals and Animal Products, may be imported into Czechoslovakia without restriction or limitation. Settlement of credits between the two countries will be through a clearing system.

A supplementary agreement was drawn up at the same time between the National Bank of Czechoslovakia and the Central Bank of Turkey for the settlement of credits of all sorts and transfers of funds between the two countries. It provides that all settlements will be made through an account set up in Czechoslovakia crowns in the National Bank of Czechoslovakia in the name of the Central Bank of Turkey. Czechoslovakia importers will make payment for their goods into this account and the Central Bank of Turkey will, on notification, pay over the equivalent amount to Turkish exporters. In the same way, Turkish importers will pay for their imports in Turkish pounds and the equivalent amounts will be paid to Czechoslovak exporters out of the account in the National Bank of Czechoslovakia.

The agreement also authorizes private compensation transactions between Czechoslovak and Turkish companies when the amount of such transactions is not less than 10,000 Turkish pounds and when they involve trade in certain merchandise listed in the agreement.

Both the commercial agreement and the bank agreement are for a period of 6 months to be extended by tacit consent for additional periods of 6 months until denounced on one month's notice. At the expiration of the agreement, as the result of its denunciation at least one month before the end of a 6 months' period, any credit which may remain in favor of one of the parties will be liquidated by the purchase of merchandise.

UNION OF SOVIET SOCIALIST REPUBLICS
(The new par of the chervonets is \$8.7127)

Russian Debt to Germany Reduced (Die Ostwirtschaft, January 1934)

According to the above publication, which is the organ of the Russian Committee of German Economy, the Soviet Union owed about 750,000,000 reichsmarks to Germany on January 1, 1934, compared with 1,200,000,000 reichsmarks on January 1, 1933. It is estimated that repayments during 1933 amounted to 750,000,000 reichsmarks. New credits during 1933 included a supplementary credit of 140,000,000 reichsmarks, orders for goods amounting to about 130,000,000 to 140,000,000 reichsmarks, and some other small items. Maturities in 1934 of Russian obligations to Germany amount to 680,000,000 reichsmarks, including interest charges.

Grosvenor M. Jones, Chief
Finance and Investment Division.

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

No. 158 Far Eastern Financial Notes May 19, 1934.
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BRITISH INDIA

(On May 10 one rupee = \$0.3844)

Large Volume of Sterling Tenders (Samuel Montagu and Co. Weekly Review of Foreign Exchange, 4/26/34).

Tenders of sterling continue in large volume, amounting to £56,500,000 in the week ended April 21, 1934. Allotments amounted to only $1\frac{3}{4}$ percent, total purchases of sterling by the Government during the week amounting to £1,048,000 and making a total of £3,809,000 purchased since April 1, 1934. The large volume of tenders is apparently due to continued gold exports. Total gold shipments from India since September 1931 have amounted to £140,303,000.

The Government has not yet yielded to the demand for currency expansion, the currency statement of April 15 showing a circulation of 1,767,500,000 rupees, compared with 1,772,100,000 rupees on March 31. Silver holdings in the Paper Currency Reserve declined by 5,000,000 rupees during the half-month and ad hoc (Indian Government) securities by 900,000 rupees, while gold increased by 400,000 rupees and sterling securities by 900,000 rupees. There is no longer any gold in the Gold Standard Reserve and the Government appears to be following a policy of transferring its excess holdings of sterling to the Paper Currency Reserve in the form of sterling securities, using them to replace ad hoc securities, in preference to expanding the currency.

The effect of the failure to expand currency is seen in the higher rates for call loans which were around $2\frac{1}{2}$ to 3 percent at the beginning of April. The yield on Treasury bills is also increasing, sales at the beginning of April being at a price to yield rupees 2-5-7 percent compared with rupees 2-2-0 percent early in March.

The Imperial Bank statement as of March 30, 1934, shows that the Government has completely paid off its Ways and Means Advances, which amounted to 100,000,000 rupees early in March. This was apparently done through increased sales of Treasury bills.

(Over)

CHINA

(On May 10 one yuan = \$0.3238)

Bank of China's Operations in 1933 (Annual Report of the Bank of China Quoted in China Press, 4/15/34).

Total deposits of the bank at the end of 1933 amounted to 539,284,527 yuan, an increase of 62,736,473 yuan as compared with a year earlier. The increase was made up of a 6,000,000 yuan increase in current deposits and an 80,000,000 increase in the amount due to banks, while there was a decrease of 23,000,000 in fixed deposits. Actually there was an increase of 33,000,000 yuan in fixed deposits, the apparent decrease being due to a removal from the fixed deposits of a bookkeeping item of 56,885,000 yuan which had been carried in previous statements as an offset against a duplication on the assets side. The increase in deposits during 1933 was thus actually nearly 120,000,000 yuan.

Loans on December 31, 1933, amounted to 351,388,609 yuan, an increase for the year of 29,497,391 yuan. The increase was mainly in Short Loans and Overdrafts which increased 26,427,000 yuan and in Bills Discounted and Bought which increased 2,368,000 yuan, Fixed Loans showing a slight decrease.

In explaining the comparatively small increase in loans the Bank points out that despite the lower interest rates it has been difficult to find good borrowers. Furthermore the severe fall in agricultural prices has necessitated caution in making loans against agricultural commodities. Loans to commerce and industry increased during 1933 while loans to other banks decreased substantially. At the end of 1933 43.90 percent of the loans outstanding were to governmental organizations, 27.02 to commercial houses, 12.08 to industrial enterprises, 6.56 to other banks, and 4.81 percent against agricultural products in warehouses.

Security investments amounted to 81,847,000 yuan, an increase of 17,303,000 yuan for the year, due mainly, it is explained, to the increase in fixed deposits. On account of the lower exchange value of the U. S. dollar and the pound sterling, holdings of foreign bonds (i.e. gold bonds) decreased as shown in the following comparison:

	1932 (percent)	1933 (percent)
Silver bonds	56.1	77.1
Gold bonds	43.9	22.9
	<hr/> 100.0	<hr/> 100.0

Note circulation at the end of 1933 was 183,726,997 yuan, a decrease of 700,000 yuan for the year. The note circulation reserve included 63 percent in specie and 37 percent in eligible securities.

Remittances made by the Bank in 1933 amounted to 754,721,000 yuan, and increase of 2,506,000 yuan over the preceding year in spite of lower amounts from North China and the Manchurian Provinces. Remittances into Shanghai handled by the Bank of China amounted to 437,730,000 yuan, representing over 59 percent of the total of the bank's domestic remittances. It is clear that the direction of remittances has been toward the ports and particularly to Shanghai.

In reviewing its operations the Bank reports that several additional branch offices were established in the hope of causing a flow of capital into the interior. The Bank now has 181 offices in China. In addition to establishing branches in the interior, the Bank also built a number of warehouses in order to help the movement of commodities and to help finance the rural districts. The rate of interest in the interior was reduced by 2 to 3 percent during the year. The bank feels that its own activities in the interior have been responsible for an increase in the number of independent financial institutions and increased willingness to extend rural credit.

Criticizing the budget of the Central Government, the Bank points out that annual receipts are at the rate of about 680,000,000 yuan and expenditures about 828,900,000 yuan, leaving a deficit considerably over 140,000,000 yuan. More than half the expenditure was for military purposes. Bonds were issued in 1933 to the amount of 124,000,000 yuan. The limited amount of capital available in China is largely absorbed by these issues of bonds bearing high interest, resulting in a shortage of funds for constructive and productive purposes. (It is nevertheless pointed out several times in the Bank's report that it is difficult to find good borrowers even at lower interest rates and that, on account of the limited scope of bank loans for commercial purposes, some banks have not been sufficiently careful in requiring adequate security.)

Exchange Rates (Assistant Commercial Attache A. Bland Calder, Shanghai, 4/12/34).

The average exchange rate for the Chinese standard silver dollar or yuan during March 1934 was \$0.3429. The average rate for the customs gold unit during March was \$0.6770, the highest point reached during the month being \$0.67875.

Unfavorable Balance of Payments Causes Concern (Various sources).

Bankers and financiers are concerned over the exceptionally large excess of imports over exports for the year 1933, which is estimated by one financial expert to amount to about 730,000,000 yuan. According to his estimate, invisible items which covered this balance included 15,000,000 yuan for exports of silver, 130,000,000 for exports of gold, 80,000,000 for Chinese profits on New York stock exchange transactions, 170,000,000 for remittances by Chinese living abroad, 60,000,000 yuan for expenditures of missionaries in China, and 20,000,000 yuan for new foreign investments in China. Emigrant remittances and missionary expenditures, which normally make up a substantial part of the unfavorable balance of trade were only about 60 percent of the figure for more prosperous years. The total of invisible items has in the past been sufficient to permit China to import silver, 1933 being the first year in which there was a net export.

The annual report of the Bank of China for 1933 also expresses concern over the fact that the combined volume of Chinese visible and invisible exports is not sufficient to cover its imports, as is indicated by the export of gold and silver, and feels that the national economy has already reached a danger point. The Bank, although realizing the impossibility of securing accurate figures, presents the following balance sheet for China's international payments in 1933:

(Over)

Out-payments	(In millions of yuan)	In-payments
Merchandise imports	1,345.6	Merchandise exports 611.8
(Smuggling 10 percent)	134.6	Adjustment of export valuation (10 percent) 61.2
Service of foreign loans:		Gold exports:
Customs	75.6	Customs reports 69.4
Salt	11.4	Smuggled (Hong Kong-96) 120.0
Railways	6.0	Silver exports 14.2
Foreign business profits	20.0	Remittances of Chinese overseas 200.0
Travelers' and Students' Expenses abroad	5.0	Tourist trade 10.0
Chinese diplomatic and consular offices abroad	1.0	Missionary and philanthropic remittances 50.0
Insurance profits of foreign companies	4.0	Foreign diplomatic and consular offices 30.0
Remittances by foreigners in China	1.0	Foreign military and naval expenditure 100.0
Motion picture royalties	5.0	Foreign Shipping Expenditure 25.0
		Foreign investment in and credit extended to China 30.0
		Receipts from Chinese holdings of foreign securities 5.0
		Unaccounted for 282.6
Total	1,609.2	1,609.2

The figure for gold exports is considerably higher than that given by the financial expert quoted above. The impossibility of obtaining an accurate figure for gold exports is due to the fact that the largest part of such exports are smuggled out of China and do not appear in the official figures. The Bank makes no attempt to explain the unaccounted item of 282,600,000 yuan although putting forth as suggestions rumors that Chinese made large profits in the New York stock exchange and that silver held by foreign banks in Shanghai may represent delayed exports.

Bank of China Opposes Inflation (Annual Report of the Bank of China Quoted in China Press, 4/15/34).

Referring to the demand for inflation which has appeared in China, with the object of improving agricultural prices and offsetting possible harm to China through an increase in the price of silver, the Bank of China points out that inflation can bring good results only when imposed on a sound currency system. At the present time there is neither standard fineness nor uniformity in China's subsidiary coins and public confidence in the standard dollar or yuan is still being tested. There is no well-worked system of note issue and people rely on the bullion value rather than the token value of coins. Where public confidence in the currency is already lacking, inflation would only further complicate the situation and make currency reform still more difficult. It is sincerely hoped that the Government will give serious attention to the various proposals of monetary reform already advanced and evolve a sound and workable system in the near future so that China's currency may contribute its part in meeting the country's economic needs.

Manchurian Government Revenues Slightly Below Estimates (China Monthly Trade Report, April 1, 1934).

According to an official Manchurian Government bulletin receipts for the first half of the current fiscal year were MY 68,946,089, or 42.6 percent of estimates for the entire year. Customs receipts exceeded estimates by a good margin but salt tax and other internal revenues were disappointing.

Total foreign trade of Manchuria amounted to MY 84,145,092 in January 1934. Exports were MY 43,511,727 and imports 40,633,365. The favorable trade balance of MY 2,878,362 compares with a favorable balance of MY 6,801,132 for January 1933, when the figure for total foreign trade was approximately the same.

South Manchurian Railway May Offer Shares of Subsidiary Companies to the Public (Osaka Mainichi, 4/4/34).

It is reported that the South Manchurian Railway Co., which operates a large variety of enterprises in Manchuria, is planning to offer shares of some of these companies to the public. This report has attracted a good deal of public interest and is generally believed that such offerings would be popular. Enterprises in which the railway company is interested include 14 companies with a paid-up capital of 88,800,000 yen wholly owned, 19 companies with a paid-up capital of 9,613,000 yen of which more than half the shares are owned by the railway, and 31 companies with a paid-up capital of 73,107,000 yen in which the railway has a minority interest.

Russo-Asiatic Bank Branches in North Manchuria to be Liquidated (China Monthly Trade Report, April 1, 1934).

The Manchurian Government announces that it intends to liquidate the Russo-Asiatic Bank which maintains several branches in North Manchuria.

HONG KONG

(On May 10 one Hong Kong dollar = \$0.3638)

Hong Kong Circulation Decreases Slightly (Consul General Douglas Jenkins, Hong Kong, 4/13/34).

Average amount of bank notes in circulation in Hong Kong during March 1934 was 174,231,555 Hong Kong dollars, compared with an average of 177,579,095 during February. Specie in the note issue reserve averaged 149,650,000 Hong Kong dollars in March, the same as in February. In addition, the note issue is backed by securities deposited with the Crown Agent, averaging 14,193,800 in March and approximately the same in February. The notes are issued mainly by the Hong Kong Shanghai Banking Corporation which was responsible for 156,767,000 Hong Kong dollars of the average circulation for March.

(Over)

IRAQ

(The dinar is equivalent to the pound sterling, or at the new
par = \$8.2397)

Currency Board Report (Iraq Government Gazette, 3/11/34).

The statement of circulation as of January 31, 1934, issued by the Iraq Currency Board, shows notes in circulation on that date to the amount of 2,456,664 dinars. This amount included 1,421,313 dinars in one-dinar notes, 313,892 dinars in half-dinar notes, and 307,870 dinars in 10-dinar notes. The balance was divided between quarter-dinar notes, 5-dinar notes, and 100-dinar notes. The note circulation on March 31, 1933, was 2,005,150 dinars.

On January 31, 1934, silver coins in circulation (200 fils, 50 fils, and 20 fils) amounted to 412,450 dinars, nickel coins (10 fils and 4 fils) to 48,650 dinars, and bronze coins (2 fils and one fil) to 10,599 dinars, making a total of 471,699 dinars in coin compared with 243,035 dinars as of March 31, 1933. The total of coins and notes in circulation as of January 1, 1934 was 2,928,363 dinars against which there was a reserve of £2,925,261. The Iraq currency law provides that full face value must be received for all currency issued and the proceeds invested in loans of the British Government or of the government of a country on the gold standard. The dinar is thus maintained at par with sterling.

JAPAN

(On May 10 one yen = \$0.3028)

Subscriptions to Public Loans (Speech by Japanese Minister of Finance, Osaka, 5/2/34).

Speaking at the National Convention of Clearing Houses at Osaka on May 2, the Japanese Minister of Finance stated that the Bank of Japan subscribed to public loans in the amount of 1,475,000,000 yen during the fiscal years 1932-33 and 1933-34. Of this amount, 1,159,000,000 yen has been sold to investors and the balance is still held by the Bank of Japan. The Government will continue the policy of selling its bond issues solely to the Bank of Japan, which will dispose of them to the public in such a way as to put no undue pressure on the money market.

Bank of Japan Adds to Gold Reserves (Commercial Attache Frank S. Williams, Tokyo, 4/30/34).

The Bank of Japan purchased 2,310 kilograms of gold on April 26, worth 6,814,000 yen at the official purchase price of 11.06 yen per momme (equivalent to about \$29.65 per ounce) but only 3,080,000 yen at the statutory rate of 750 milligrams of gold to the yen, at which the gold must be credited to the Bank's note issue reserve. The difference is assumed by the Government, in accordance with the Gold Purchase Law.

On April 28, the Bank of Japan purchased another 348 kilograms of gold, thus adding an additional 464,000 yen (at the statutory rate) to the note issue reserve.

To Divide China for Purposes of Taxation (Trans-Pacific, 9/28/33).

Mr. T. V. Soong, the Finance Minister of the National Government, has worked out a plan to unify the national taxation system throughout the country by dividing the country into the North China district, Yangtze Valley district, Northwestern district and Southwestern district. Financial agents are being dispatched to these districts to investigate actual conditions.

China State Bank Moves to New Quarters (North China Daily News, submitted by Commercial Attache Julean Arnold, Shanghai, 9/4/33).

The China State Bank, Ltd., has moved into its new home; the China State Bank Building. The China State Bank, Ltd., was founded in January 1928 by Mr. Chow Min-tsu and Mr. Tong Shoumin. When the bank opened, it had a paid-up capital of 1,000,000 yuan. As business developed, the paid-up capital was increased to 3,000,000 yuan.

Remittance transactions of the bank last year amounted to almost 90,000,000 yuan. Deposits have increased to 20,000,000 yuan, according to the last report. This is almost five times the deposits in the year the bank opened. During the past five years branch offices have been opened in Soochow, Nanking, and Canton.

Central Bank's Note Issue Increases Rapidly (Finance and Commerce, 9/13/33).

A constant though not a large increase in the note circulation of local banks has been noticeable recently. This tendency has been more pronounced as regards the Central Bank of China, whose note issue at the end of 1933 is likely to be double what it was at the beginning of the year. The reason for this is mainly the constant growth of business transactions. Furthermore, the Central Bank of China, in contradistinction to most of the other issuing banks, issues notes domiciled in Shanghai only. As more branches in the interior are being opened, and in the same measure as the operations of those branches are extending in volume, there is an increasing demand for more notes, all of which are finally redeemable at Shanghai the sole purveyor. The Central Bank of China has at all times held more silver reserves against its note issue than is prescribed by law.

Large Silver Stocks Militate Against Price Increase, States Observer.

In an article in Finance and Commerce, dated September 20, 1933, Mr. E. Kann calls attention to large silver stocks in New York (estimated at 160,000,000 ounces), Great Britain (over 50,000,000 ounces accumulated between January 1 and September 14, 1933), and large stocks in Shanghai (300,000,000 yuan and 135,000,000 taels of sycee), and an oversold "gold" position of 15,000,000 dollars in the Shanghai exchange market.

Shanghai Silver Stocks Large (Commercial Attache Julean Arnold, Shanghai, 10/14/33).

Stocks of silver continue to increase and are now equivalent to 497,000,000 yuan.

Shanghai Mint Operations, March-August 1933 (Finance and Commerce, 9/13/33).

Work in the Shanghai Mint is proceeding smoothly. It must be borne in mind that the workers there are still being initiated in their task and that it takes considerable time before efficiency is fully attained. That progress is being made is evidenced by the steady increase of the mint's output and by the excellent reception of the new dollar coins. The

abolition of the tael demands the consumption of existing sycee stocks. The mint is now proceeding on these lines, consuming mainly sycee as basic material for the new coins.

When it is considered that every shoe of sycee is of a different weight and of different fineness (factors which do not impede the circulation value of sycee), it will be realized with what difficulties the staff of the Shanghai Mint is faced. To these is added eventual shortages in either weight or fineness of the sycee, a loss which the mint might have to stand.

The following official figures represent total deliveries of the new national Yuan, effected by the mint to the Central Bank of China:

1933	Old-design Yuan	New-design Yuan
March	130,000	-----
April	900,000	-----
May	1,180,000	500,000
June	50,000	2,605,000
July	-----	2,666,000
August	-----	3,950,000
Total	2,260,000	9,610,000

Of the old-design yuan (showing rising sun and flock of birds) only about 50,000 coins have been put into circulation, while the remainder are being retained with view of being melted up finally. The new yuan coins have been carefully assayed locally and in various places abroad, and have invariably been found to correspond to legal requirements as to weight and fineness (26.6971 grams and 880/1000ths).

Manchukuo Bank Profits Reported (Commercial Attache Frank S. Williams, Tokyo, 9/18/33).

According to press reports, the Central Bank of Manchukuo earned a net profit of 513,225.35 Manchukuo yuan for the year ended June 30, 1933. The balance brought forward from the previous year was 531,033.98 Manchukuo yuan. The total has been disposed of as follows: Reserve against loss and contingencies, 43,000; reserve for dividends, 12,000; special reserve, 110,000; bonus for executives, 35,000; dividends to shareholders, 225,000; leaving a balance to be carried forward of 106,033.98 Manchukuo yuan. This exceeds the total carried forward the previous year by 99,225.36 Manchukuo yuan.

HONG KONG

(On October 27 one Hong Kong dollar = \$0.3345)

Hong Kong Ships Gold (Samuel Montagu and Co. Weekly Review of Foreign Exchanges, 10/5/33).

During the period September 25 to October 2, £372,016 in gold was received in the United Kingdom from Hong Kong.

Gold Purchase Regulations Under the Gold Purchasing Law (Commercial Attache Frank S. Williams, Tokyo, 4/13/34).

The Gold Purchasing Law of Japan, reported in Far Eastern Financial Notes of April 5, was passed by the Diet and became effective April 7, 1934. On the same date regulations governing the purchase of gold by the Bank of Japan under the law were issued by the Minister of Finance. These regulations provide for the appointment of producers by the Bank of Japan, with the approval of the Minister of Finance, who will be given licenses to produce gold in Japan, Chosen, and Taiwan for sale to the Bank of Japan at the rate fixed (11.06 yen per momme or 2.95 yen per gram). Gold thus sold to the Bank of Japan must be of a fineness of more than 990, must be suitable for minting coins and must be accompanied by a certificate of the Bureau of the Mint. No amount less than one kilogram will be purchased. Appointments as producers shall be for a term of one year or less and may be cancelled by the Bank of Japan on the approval of the Minister of Finance.

Applicants for appointments as producers must submit to the Bank of Japan in duplicate a monthly statement of gold production for the past 12 months, an estimate of monthly production for the next 12 months and a statement of the amount that they desire to sell each month for the next 12 months. It is explicitly stated in the regulations that the Bank of Chosen and the Bank of Taiwan are to be appointed as producers. (Actually they will purchase gold in their respective territories and resell it to the Bank of Japan at the price fixed. This will be an advantage, particularly to the Bank of Chosen which is at present obliged to sell gold to the Government mint at the statutory price of 5 yen per momme.) The regulations also include the following articles:

The Bank of Japan may collect a fee of 5/10,000 of the value of gold purchased from the seller.

The Bank of Japan shall hold the gold purchased under this law separate from other gold.

The Bank of Japan shall submit a weekly report to the Minister of Finance on gold purchased, giving the following particulars:

1. Name of seller.
2. Date of purchase.
3. Amount of gold purchased, fineness, and value.
4. Amount of fee collected from the seller.

The Bank of Japan shall submit a report on any other item which the Minister of Finance deems necessary.

The Minister of Finance, when he deems it necessary on account of the price of gold in foreign markets or the fluctuation of exchange or for any other reason, may order the Bank of Japan to suspend the purchase of gold temporarily.

It is reported that the 6 principal gold producers, forming the Gold Producers' Association, have applied to the Bank of Japan for appointment as producers.

(Over)

Increased Spread Between Bank Deposits and Loans (Commercial Attache Frank S. Williams, Tokyo, 4/21/34).

A combined statement for all banks in Japan as of March 31, 1934, showed deposits amounting to 12,089,815,000 yen, an increase of 45,288,000 yen as compared with February 28 and 160,000,000 as compared with January 31. Loans amounted to 10,424,873,000 yen at the end of March, a decrease of 58,306,000 yen for the month. Long-term fixed deposits and long-term loans decreased appreciably during March while short-term deposits and short-term loans increased. The statement indicated increased investment of surplus funds in securities, holdings of government bonds as of March 31, 1934, being 517,000,000 yen higher than a year earlier while holdings of state and prefectural bonds and corporate debentures also increased.

Bank Clearings Increase (Commercial Attache Frank S. Williams, Tokyo, 4/13/34).

Improvement in business conditions, partly seasonal, is indicated in the accelerated movement of funds in Japan. Bills cleared at all clearing houses during March numbered 3,065,641, totaling 6,388,308,000 yen, an increase of 258,588, totaling 919,284,000 yen, over February and of 75,635 bills, amounting to 1,226,687,000 yen, as compared with March 1933.

Improvement of Rural Banking System Sought (Speech by the Japanese Minister of Finance, Osaka, 5/2/34).

In his speech at the National Convention of Clearing Houses at Osaka on May 2, the Finance Minister remarked that the Government is endeavoring to improve the banking system in the rural districts of Japan by the amalgamation of provincial banks, readjustment of branch banks, and reformation of real estate financing. The situation is not yet satisfactory and the Government is trying to strengthen the position of provincial banks, lower their interest rates, eliminate competition between the large city banks and provincial banks, and bring about coordination and cooperation of various financial organizations for the development of their respective fields of operation.

Japanese National Debt (Japan Trade and Economic Letter, March 1934).

The national debt on March 31 stood at 8,139,038,000 yen -- an increase of 324,000,000 yen over the previous month and 1,085,000,000 yen over the corresponding month last year. Of the March total, 6,724,000,000 yen represented domestic debt, and 1,415,000,000 yen foreign debt, indicating an increase of 1,060,000,000 yen in the former and only 25,000,000 in the latter, as compared with the figures a year earlier. In addition to the funded debt, the Government had outstanding at the end of March rice notes totaling 543,645,000 yen. Including the budget deficit bonds, rice notes, and short-term treasury bonds to be issued during the current fiscal year, the total outstanding debt on March 31, 1935, is expected to approximate 10,000,000,000 yen.

Taiwan Budget (Consul John B. Ketcham, Taihoku, 4/13/34).

The Taiwan budget for the year ending March 31, 1935, which has been approved by the Japanese Diet, shows an increase of nearly 8,000,000 yen in total revenues and expenditures. The details are as follows:

	<u>1934-35</u>	<u>1933-34</u>	Increase (+) or decrease (-) <u>1934-35</u>
REVENUES:	(yen)	(Yen)	(yen)
Ordinary	99,786,815	90,458,060	+ 9,328,755
Extraordinary	10,950,468	12,314,023	- 1,363,555
Total	<u>110,737,283</u>	<u>102,772,083</u>	<u>+ 7,965,200</u>
EXPENDITURES:			
Ordinary	87,156,547	80,689,258	+ 6,467,289
Extraordinary	23,580,736	22,082,825	+ 1,497,911
	<u>110,737,283</u>	<u>102,772,083</u>	<u>+ 7,965,200</u>

Revenue estimates include 16,733,000 yen from taxes, an increase of about 1,000,000 yen over the previous year, and 77,688,000 yen from Government enterprises and monopolies, an increase of about 7,000,000 yen. No provision is made for receipts from public loans which amounted to about 5,000,000 yen in the previous budget.

One of the principal sources of revenues is government monopolies from which 42,000,000 yen is anticipated in the new budget, an increase of 4,000,000 over the previous year. Monopoly expenditures are estimated to total only about 22,000,000 yen, yielding a profit of 20,000,000 yen. The principal government monopolies are salt, tobacco, liquors, opium, and camphor.

South Manchurian Railway Budget Anticipates Profit (Japan Advertiser, 4/5/34).

The 1934-35 budget of the South Manchurian Railway, as approved by the Ministry for Overseas Affairs, anticipates a profit of over 40,000,000 yen, with revenues estimated at 243,483,000 yen and expenditures at 202,517,000 yen. The company estimates revenues of 116,856,000 yen from its railway operations and expenditures of only 44,752,000 yen, while most of its other enterprises are expected to show profits. Interest receipts are estimated at 26,671,000 yen and payments at 51,832,000 yen.

The company has an extensive program of expansion for the 1934-35 fiscal year, planning to spend 69,550,000 yen on harbor development, railway transportation facilities, coal mining equipment, schools, hospitals, and roadways. In addition, it plans to invest 22,000,000 yen in the Showa Steel Works and 8,000,000 in the Manchurian Chemical Industry Company. It also plans to borrow 100,000,000 yen for railway enterprises throughout Manchuria, bringing its total capital requirements for the year ending March 31, 1935 to about 200,000,000 yen. Of this amount 54,000,000 yen will be raised by calling in the unpaid balance on shares outstanding. Arrangements have been made with the Post Office Life Insurance Bureau of the Ministry of Communications for an advance of 30,000,000 yen for 14 years at $4\frac{1}{2}$ percent. The balance will be raised by issues of debentures to the public through bank syndicates.

(Over)

Referring to the Government's policy with regard to the South Manchurian Railway, the Minister of Overseas Affairs made the following statement:

Japan's future policy toward Manchuria will be carried out with the South Manchuria Railway Company in the center. Traffic, munitions, and other important industries will be looked after by the rail concern. Thus, the S. M. R.'s status will be bettered. The administrative right invested with the company over its railway zone may be restored to the Kwantung Government gradually, but, since this issue presents a serious problem, it will be subjected to further study and investigation. The Kwantung Government may appoint a supervising official for the S.M.R., thereby bringing about a solution sometime within the coming three months.

New Tariff Powers Asked by Government (London Economist, 4/21/34).

"The Government has introduced into the Diet the Trade Safeguarding Bill, which is popularly known as the tariff dictatorship measure. The Bill proposes to empower the Government to retaliate against trade discrimination on foreign countries by imposing an additional customs duty or prohibiting or restricting imports. The retaliatory duty may be fixed as high as the value of articles on which it is imposed. For the purpose of giving advice and assistance in connection with the discharge by the Treasury of the functions under the measure there will be constituted an advisory committee to be appointed by the Government. The law is to be valid for five years following its enforcement. The Finance Minister explained in the committee on the Bill that the Government will be conservative in using the power to be granted under the measure and will resort to it only when trade discussions with the country that discriminates against Japanese goods have failed. Business circles generally welcome the proposed scheme, as it is intended to cope with constantly changing trade policies abroad and give elasticity to tariff legislation here. It is even argued that had it been enacted earlier Japan might have found her position stronger in dealing with recent trade discussions with foreign countries."

Exchange Dumping Duty Imposed Against Japan (Consul General Irving N. Linnell, Capetown, 4/6/34).

The Government of the Union of South Africa has given notice that an exchange dumping duty will be imposed after April 5, 1934, on a number of items imported from Japan. This duty will be equal to the difference between the f.o.b. price at the port of shipment at the current rate of exchange and the price computed at the rate of 23.35 pence South African to the yen. The exchange dumping duty shall be in addition to the duties otherwise prescribed. It shall not, however, exceed 50 percent of the value of the goods.

Foreign Trade Grows (London Economist, 4/21/34).

"The export trade continues vigorous. The trade returns for February show that, compared with February, 1933, imports fell by 4,900,000 yen, or 2.8 percent while exports rose by 39,500,000 yen, or 33.3 percent. The February returns in comparison with February 1933, are summarized below:

	February 1933	February 1934	Increase (+) or decrease (-)	
	(In thousands of yen)		(percent)	
Imports	181,533	176,539	- 4,994	-2.8
Exports	118,931	158,486	+39,555	+33.3
Total	300,464	335,025	+34,561	+11.3
Excess of imports over exports	62,602	18,053	-44,549	-71.1"

NEW ZEALAND

(On May 10 one pound = \$4.0894)

Reserve Bank Shares Oversubscribed (Australasian Insurance and Banking Record, 3/21/34).

The offering of 100,000 shares of £5 each of the Reserve Bank of New Zealand, made February 28, 1934, was heavily oversubscribed, 8,783 persons applying for a total of 558,991 shares. Applicants for 10 shares or less were allotted the full amount but larger applicants were limited, the maximum allotment being 20 shares. A notification in the New Zealand Gazette declares that the shareholders "shall become a body corporate" on April 1, 1934. An earlier proclamation gave the Reserve Bank the right to issue notes as of August 1, 1934, and it is understood that the bank will start business on that date. In addition to the £500,000 capital subscribed by the public, there will be £1,000,000 subscribed to the General Reserve Fund by the Government, which is apparently to be considered as capital, as it is provided that, in the event the bank is liquidated, net resources are to be divided one-third to the shareholders and two-thirds to the Government.

The general object and purposes of the Reserve Bank are defined as follows:

It shall be the primary duty of the Reserve Bank to exercise control, within the limits of the powers conferred on it by this Act, over monetary circulation and credit in New Zealand, to the end that the economic welfare of the Dominion may be promoted and maintained.

The Bank is empowered to do a general banking business, accepting deposits, discounting and rediscounting two-name paper, making advances against security, buying and selling government bonds or treasury bills, dealing in exchange, etc. Bills and notes discounted or bought must have a maturity of not more than 120 days, excepting when they cover live stock and primary agricultural products, when they may have a maturity of not over six months.

The Bank may not engage in trade or have a direct interest in any commercial or industrial undertaking. It may not purchase or loan on the security of bank shares or on real property, or make unsecured loans. It may not pay interest on deposits, excepting government deposits held outside New Zealand. Loans to Government bodies may not exceed one-quarter of estimated annual revenues of such bodies, except that loans to the Federal Treasury may be made up to half its estimated revenue. Two other limitations are as follows:

(Over)

It shall be unlawful for the bank to--

1. Allow the renewal of maturing bills of exchange, promissory notes, or other similar documents, purchased or discounted by or pledged to the Bank.

Provided that in exceptional circumstances the board of directors may by resolution authorize not more than one renewal of any such bill, promissory note, or document as aforesaid.

2. Draw or accept bills payable otherwise than on demand.

The Reserve Bank is to have the sole right to issue notes, and on and after the date the change takes effect (August 1, 1934) other banks must redeem their outstanding notes only in Reserve Bank notes and subsidiary coin. After two years banks will pay the value of their notes remaining outstanding to the Reserve Bank, which will assume the liability. Banks must transfer all their gold coin and bullion to the Reserve Bank in exchange for Reserve Bank notes or deposit credit, at the statutory rate of £3 - 17s. - 10½d. per standard ounce (11/12 fine). Any profit that may be derived from the sale of such gold must be credited to the Government account with the Bank.

Reserve Bank notes will be redeemable in sterling for immediate delivery in London, when presented at the head office of the Bank in amounts of £5,000 or more. Notes will be given in exchange for sterling or gold presented in amounts of £5,000 or more. Rates for such conversions will be fixed by the Bank, the law prescribing no principles to be observed in fixing the rate. The Bank must keep a reserve of at least 25 percent of the aggregate amount of its note circulation and other demand liabilities, the reserve to be made up of the following:

- (a) Gold coin and bullion in the unrestricted ownership of the Bank.

- (b) Sterling exchange, comprised of:

1. Deposits at the Bank of England.
2. British Treasury bills with an unexpired currency of not more than three months.
3. Bills of exchange payable in London, bearing at least two good signatures, with an unexpired currency of not more than three months.

- (c) Net gold exchange in the unrestricted ownership of the Bank, if such exchange is on a country the currency of which by law and in fact is convertible on demand at a fixed price into exportable gold. For the purposes of this paragraph the expression "net gold exchange" means:

1. Balances standing to the credit of the Bank at the central bank of the country of origin of the currency in question;
2. Bills of exchange payable in a gold currency, maturing within three months, and bearing at least two good signatures (less any liabilities of the Bank in currencies other than New Zealand currency.)

The reserve may be permitted to go below the required minimum on permission of the Minister of Finance and payment, during the period the reserve is below the minimum, of a tax of 1 percent per annum of the deficiency, plus $1\frac{1}{2}$ percent per annum for every $2\frac{1}{2}$ percent by which the reserve falls below 20 percent. The bank must increase its discount rate by a percentage not less than the rate of the tax.

All banks carrying on business in New Zealand will be required to maintain on deposit in the Reserve Bank at least 7 percent of the amount of their demand liabilities in New Zealand (not including note issue liability) and 3 percent of their time liabilities in New Zealand.

All Government deposits will be transferred to the Reserve Bank within 12 months of the date it is entitled to open for business. The Bank will handle all remittance, exchange, and banking transactions of the Government without charge. It may undertake the issue and management of government loans, as well as the loans of local authorities and public bodies, but may not underwrite such loans. Profits, after a cumulative 5 percent dividend on paid-up capital, will go half to General Reserves and half to the Government until General Reserves equal the paid-up capital, thereafter one-tenth to General Reserves until they equal twice the paid-up capital, thereafter all profits will go to the Government.

The Government will have an important voice in the management, the Governor-General in Council being charged with the appointment of the Governor, the Deputy Governor and three of the seven directors. The remaining four directors will represent the shareholders, but in the first instance will be appointed for a period of five years by the Governor General in Council, thereafter being elected by shareholders. Two of the shareholders' directors must represent primary production and the other two industry or commerce.

Railways Make Good Showing (Various sources).

Net revenues of the Government Railways in New Zealand for the 48 weeks ended March 3, 1934, amounted to £966,000. A working profit of £1,000,000 is predicted for the year ended March 31, 1934. Since August 19, 1933 each four weeks' period has shown an increase in revenue over the previous one. Although a working profit of £1,000,000 would not cover interest, amortization, and depreciation, it is a considerable improvement as compared with recent years and will mean a lightening of the burden on the taxpayer.

PHILIPPINE ISLANDS

(One peso = 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of two pesos for one dollar, charging $\frac{5}{8}$ percent premium for demand drafts and $1\frac{1}{8}$ percent premium for telegraphic transfers.)

1933 Budget Results Favorable (Assistant Trade Commissioner Carl E. Boehringer, Manila, 5/7/34).

A consolidated statement covering general and special budget accounts of the Philippine Government for 1933 shows income of 70,000,000 pesos and expenditures of 69,500,000 pesos. The surplus of 500,000 pesos compares with deficits of
(Over)

5,000,000 pesos for 1932, 9,000,000 for 1931, and 6,000,000 for 1930. The favorable showing in 1933 is said to be due to a reduction in the amount of land taxes remitted, a campaign for maximum tax collections which resulted in revenues 6 percent in excess of estimates, continuance of salary reductions, and forced as well as voluntary economies in Bureau and Department budgets. Government-owned companies are reported to show small profits for 1933, as compared with deficits the previous year and the Philippine National Bank is reported as having made a profit of over 3,000,000 pesos.

TURKEY

(One Turkish pound = 12.06 French francs or on May 10 = \$0.7984).

Central Bank Strengthening Gold Reserves (Commercial Attache Julian E. Gillespie, Istanbul, 4/9/34).

The Central Bank of Turkey has been following a policy of strengthening the reserve behind its note issue. Its statement of April 5, 1934, showed gold holdings of LT 25,489,215 in addition to foreign exchange holdings of LT3,375,527, easily convertible into gold. This reserve, totaling LT28,864,742, was slightly over 18 percent of the note circulation, which amounted to LT158,716,000 on April 5.

The Central Bank started business in October 1931. Since it has the sole right of note issue for a period of 50 years, it took over the LT158,602,000 fiduciary note issue of the Government, plus LT5,637,763 issued against foreign exchange. On January 7, 1932, the note issue was LT170,596,516, against which the Central Bank held LT14,902,763 in gold and LT6,702,000 in foreign exchange, the reserve ratio being about 12.66 percent. The ratio was improved during 1932 by contraction of the note issue rather than by increase in the reserves, the circulation on December 29, 1932 amounting to LT163,523,999, against which there was a reserve of LT20,513,508 in gold and LT756,416 in foreign exchange. During the 1933 the contraction of the circulation continued and was accompanied by an increase in the reserves, with the result that circulation at the end of 1933 stood at LT160,698,692 and gold reserves at LT25,022,399. The policy was continued during the first quarter of 1934, with the result as mentioned above.

UNION OF SOVIET SOCIALISTS REPUBLICS

(The new par of the chervonets is \$8.7127)

Note Circulation (Samuel Montagu & Co. Weekly Review of Foreign Exchanges, 4/26/34)

The Frankfurter Zeitung reports that State Bank notes were in circulation on April 1, 1934, to the amount of 3,328,800,000 rubles, compared with 3,356,200,000 rubles on July 1, 1933. In addition, there were treasury notes in circulation which amounted to 3,429,000,000 rubles on January 1, 1934. The total note circulation on April 1, 1934, was presumably in the neighborhood of 6,700,000,000 rubles. Gold holdings amounted to 810,700,000 rubles in addition to holdings of 8,800,000 rubles in other precious metals and 30,100,000 in foreign bank notes, giving a cover of 25.5 percent behind the State Bank notes. (Note: The minimum legal reserve against State Bank notes is 25 percent and no definite reserve is required against the treasury notes.)

Grosvenor M. Jones, Chief
Finance and Investment Division.

2.35
VI

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

No. 159 Far Eastern Financial Notes June 5, 1934.
Subscription to European Financial Notes, Far Eastern Financial Notes, and Latin
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MAY 23 1935
UNIVERSITY OF ILLINOIS

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AFGHANISTAN

(The Afghan rupee has no fixed par in terms of gold)

Afghan National Bank Closes First Year (Financial Times, London, 5/7/34)

The Afghan National Bank, founded March 22, 1933, is understood (from private reports received from Kabul) to have made a profit in its first year of operation. The reports indicate that a dividend of 25 percent is expected.

The Afghan National Bank was founded to take over a smaller bank, the Shirkat-e-Ashami, which was established by the late King Nadir Shah in 1929, the first year of his rule, with a capital of 5,000,000 afghanis of which the Government subscribed 4,500,000. When the bank was reorganized as the Afghan National Bank, the capital was increased to 35,000,000 afghanis, of which the Government subscribed 35 percent, leaving the balance to be subscribed in three installments by Afghan subjects. The Bank has the following privileges:

- (1) Issue of bank notes.
- (2) Purchase of bullion for the Afghan Mint.
- (3) Monopoly of importing sugar, gasoline, motor cars.
- (4) Purchase of all imports on account of Government.
- (5) Functions of a Government banker.
- (6) Priority in the exploitation of the mineral wealth of the country.

In addition, it does practically all of the foreign exchange business of the country, with the result that of the 30 shroffs (Indian bankers), who were doing all the exchange business at the time of the organization of the Shirkat-e-Ashami, only two are still operating.

The Bank did not have the privilege of issuing bank notes during the first year of its operation, but, as of March 31, 1934, it is given the power to issue bank notes up to 1,000,000 afghanis. In addition, the Government Treasury is empowered to issue currency notes up to 19,000,000 afghanis. Both the bank notes and the currency notes will be fully covered by silver.

Afghanistan does not intend to remain permanently on the silver standard, however, and the National Bank has already commenced to accumulate gold. It hopes to have accumulated sufficient gold by 1938 to provide a 50 per cent gold reserve for the Treasury notes and banknotes outstanding.

The afghani remained stable during 1933 at the rate of 3 afghanis to one British Indian rupee. On this basis the pound sterling should be equivalent to 40 afghanis. Actually, however, the pound was quoted at 42 to 45 afghanis in Kabul during 1933.

AUSTRALIA

(On May 26 one pound = \$4.0600)

Australian Finance Shows Improvement (Trade Commissioner E. C. Squire, Sydney, 4/26/34)

Returns of revenue and expenditure for the Central Government of Australia indicated a surplus of £1,986,000 for the nine months ended March 31, 1934, compared with a surplus of £2,331,000 for the corresponding period of the previous fiscal year, and an estimated deficit of £1,176,000 for the full fiscal year ended June 30, 1934. All of the States, with the exception of Victoria and Tasmania, showed smaller deficits in the 9 months ended March 31, 1934, than in the corresponding 9 months of the previous fiscal year. Central Government revenue is far exceeding budget estimates, especially from customs and excise and sales taxes. The railways are not doing as well as expected, however, and it is believed that the railway deficit for the current fiscal year will be about £750,000 instead of the £445,000 originally estimated. Deficits in the 9-months period of 1932-33 and 1933-34 and the budget estimate for the fiscal year 1933-34 are as follows:

	Deficit - 9 months, 1932-33	Deficit - 9 months, 1933-34	Estimated deficit 1933-34
	£	£	£
Commonwealth.....	2,331,000*	1,986,000*	1,176,000
Victoria.....	1,993,000	2,309,000	700,000
New South Wales.....	3,409,000	2,485,000	3,790,000
Queensland.....	1,574,000	1,212,000	1,848,000
South Australia.....	1,078,000	1,042,000	933,000
West Australia.....	971,000	850,000	748,000
Tasmania.....	39,000*	169,000	76,000
Net totals	6,655,000	6,081,000	9,271,000

*Surplus.

New South Wales Deficit Below Expectations (Trade Commissioner E. C. Squire, Sydney, 4/26/34)

Although revenue of the State of New South Wales for the 9 months ended March 31, 1934, amounted to only £34,275,987, a decrease of £2,800,000, as compared with the same period of the previous fiscal year, expenditures, amounting to £36,761,291, have been reduced £3,730,000. The deficit is thus only 2,485,000 compared with a deficit of 3,409,000 for the 1932-33 period and a budget estimate of 3,790,000 deficit for the complete 1933-34 fiscal year.

Reduction of £500,000 in railway revenues, as compared with the 1932-33 figures, is more than made up by a reduction of £920,000 in expenditures. There is a considerable saving in interest amounting to £244,000 on overseas debt and £174,000 on internal debt and also a saving of £322,000 on exchange. Social-service taxes brought in £1,963,000 less than during the corresponding nine months of 1932-33, while expenditures for social service, including unemployment, were reduced £1,777,000, partly, it is stated, as a result of increased employment.

Victoria Deficit Exceeds Expectations (Vice Consul Bernard C. Connelly,
Melbourne, 4/23/34)

Revenue of the State of Victoria for the 9 months ended March 31, 1934, amounted to £13,956,000, or £516,000 less than in the corresponding period of 1932-33, while expenditures, amounting to £16,266,000, were down only £200,000. The deficit of £2,309,000 for the 9 months was thus £316,000 higher than for the 1932-33 period. Since the budget for the full fiscal year 1933-34 estimated a deficit of £700,000, some concern is being felt over the possibility of keeping within or even near to the budget figure. The situation is less serious than it would appear from the figures given, since they do not include income and unemployment tax receipts in the amount of £910,000 which are being held in a suspense account. There will have to be considerable improvement in revenue applicable to the general account, however, before the actual deficit in that account, amounting to £1,523,000 for the 9 months, is reduced to the estimated deficit of £200,000 for the fiscal year. The railway account is still more disquieting, the deficit for the first 9 months amounting to £780,000 compared with an estimated deficit of £444,000 for the 1933-34 fiscal year. In a recent statement the Acting Premier and Minister of Railways revised his estimate of the deficit to £750,000 for the full fiscal year. The unsatisfactory condition is due apparently to the action of wheat farmers in withholding their grain from the market. It is reported that some 16,000,000 bushels of wheat which would normally have been shipped to the seaboard will be left standing at country stations by the end of June.

One encouraging feature of the statement for the first 9 months of 1933-34 is the condition of the State Coal Mines, which showed a surplus of about £5,000 where a deficit had been expected, particularly in view of labor troubles.

Interest Reduced on Fixed Deposits (Trade Commissioner E. C. Squire, Sydney,
4/17/34)

On April 11 the Commonwealth Bank announced a reduction of $\frac{1}{4}$ of 1 percent on fixed deposits of 6 months' or more duration. Other banks having headquarters in Sydney and Melbourne announced the same reduction, as well as the National Bank of Queensland. Rates for fixed deposits are now 2 percent per annum for three months deposits, $2\frac{1}{4}$ percent for six months, $2\frac{1}{2}$ for one year, and $2\frac{3}{4}$ for 2 years. It is anticipated that these reductions in interest rates will be passed on to borrowers as soon as they become effective.

BRITISH INDIA

(On May 26 one rupee = \$0.3815)

Customs Revenues (Trade Commissioner C. E. Christopherson, Calcutta, 4/12/34)

The total of sea and land customs revenues for British India for the year ended March 31, 1934, amounted to 483,600,000 rupees, compared with 533,700,000 rupees for the year ended March 31, 1933. Of the total for the year recently ended, import duties accounted for 356,100,000 rupees, export duties to 43,000,000 rupees; excise duties on gasoline, 43,200,000; excise duties on kerosene, 28,100,000; land customs and miscellaneous, 12,700,000 rupees. The 1933-34 customs figures showed increases in revenues from import duties on machinery, motor cars, dyes and colors, liquors, lubricating oils, wood pulp, exposed cinematograph films, tea, railway plant and rolling stock, paper and stationery, toys, games, and sport goods, and wireless reception instruments. Export duties on raw jute, raw hides and skins, and excise duties on gasoline and kerosene showed increases. Decreases were noted in revenues from import duties on most other imports and from export duties on rice and manufactured jute.

CHINA

(On May 26 one yuan = \$0.3272)

Few Appropriations Made from Wheat-Cotton Loan (Commercial Attache Julean Arnold, Shanghai, 4/28/34)

Questioned as to the use to be made of proceeds of the Wheat-Cotton Loan from the United States, Dr. Kung, Minister of Finance, stated that they would be devoted entirely to productive purposes. The loan contract was originally set at \$40,000,000 to be taken in cotton and \$10,000,000 in wheat and flour, but prospects for the sale of cotton later made it seem desirable to reduce the cotton section of the loan to \$10,000,000. The wheat section was set at \$6,000,000 and flour at \$4,000,000. As of the end of March, it was announced that the full quota of wheat had been taken but only a moderate amount of cotton and very little flour. The total amount availed of by the Chinese Government as of that date was as follows:

Wheat and flour	\$19,000,000
Cotton	7,500,000
Total	<u>26,500,000</u>
Less freight and expenses	3,000,000
Net proceeds	<u>23,500,000</u>

From this amount appropriations so far have included 1,800,000 yuan for repatriation of farmers in Kiangsi, 300,000 for relief of famine in Szechwan, and 4,000,000 for reconstruction work of the National Economic Council. This leaves apparently about 17,500,000 yuan against which appropriations have not yet been made. The National Economic Council at its last plenary meeting decided to use these funds for constructive purposes, including highways, reconstruction in Kiangsi and the Northwest, health enterprises, improvement of the silk, tea, cotton, and fuel industries, and research.

Currency Commission Formed (Finance and Commerce, 4/18/34)

A commission has been formed to study currency problems and plan reforms, according to an announcement of the Ministry of Finance. It will be headed by Hsu Kan, Director of the Currency Department of the Ministry of Finance, and will include a number of prominent bankers and executives. Mr. Li Ming, Manager of the Chekiang Industrial Bank and Adviser to the Ministry of Finance, will serve with the commission in an advisory capacity. He is at present en route to Europe and plans to study monetary systems there and in the United States.

The commission will limit its study to the following subjects:

Adoption of the gold standard.	Improvement of the Mint.
The standard silver dollar.	Readjustment of the silver
Readjustment of old coinage.	and copper subsidiary currency
The subsidiary currency.	in the various localities.
Prevention of secret coinage.	The paper currency.
Unauthorized issue of paper	Other matters referred to the
money.	Commission by the Minister
	of Finance.

Central Bank Capital Increase Authorized (Commercial Attache Julean Arnold, Shanghai, 4/28/34)

A memorandum by H. H. Kung, Minister of Finance in the Government, and Governor of the Central Bank of China, recommending an increase in the capital of the bank from 20,000,000 yuan to 100,000,000 yuan, has been approved by the Executive Yuan. It is proposed to transfer to the Bank the 30,000,000 surplus from the last two issues of Treasury notes and to appropriate 10,000,000 yuan annually from the customs revenues for the next 3 years. With the present capital of 20,000,000 yuan and the likelihood of an increase in the reserve, which stood at 15,847,000 yuan as of December 31, 1933, it is felt that this would permit the capital to be brought up to 100,000,000 yuan by the end of 1936. The increased capital is intended to provide better facilities for servicing loans and larger resources for exchange transactions. The Board of Directors of the Central Bank has not yet approved the increase, and it is believed in some quarters that the proposal may be modified before it is finally put through.

Bank of Communications Shows Profit (Commercial Attache Julean Arnold, Shanghai, 4/19/34)

The Bank of Communications at its recent annual meeting reported profits of 900,000 yuan for 1933, an increase of 400,000 yuan as compared with the previous year. A 6 percent dividend was declared. The Bank opened 20 new branches during the year. The savings department inaugurated 4 years ago has shown steady growth and at the end of 1933 had 52 branches with 45,000 accounts and deposits totaling 18,000,000 yuan.

It is understood that savings deposits in other Chinese banks have also grown substantially in the past year.

Silver Export Duty in Hunan Province (Chinese Economic Bulletin, 3/31 and 4/7/34)

A regulation which has just become effective in Hunan Province provides that a license must be obtained from the Provincial Department of Finance when silver dollars exceeding the value of 500 dollars local currency are exported from the province. For every 1,000 dollars a fee of 10 dollars will be collected. An export duty of 10 dollars per 1,000 dollars exported has also been placed on specie exported in amounts exceeding 500 dollars.

New Law Encouraging Native Industries (Finance and Commerce, 4/18/34)

The Legislative Yuan has adopted a "Law Governing the Encouragement of Native Industries" under which a Chinese company may apply for encouragement in the form of reduction of or exemption from export duty, a reduction of taxes on raw materials, reduction of freight, award of cash prizes, or grant of monopoly in a specified locality for a period not exceeding 5 years. Applications will be considered by a committee formed of representatives of the Ministry of Industries and other related Central Government departments. A company is eligible to apply for encouragement if its products are in a position to compete with foreign goods, if it is the first to adopt the most modern foreign methods of manufacture in China, or if it manufactures products newly invented and patented in China. It is especially provided, however, that no factories which use foreign goods or materials in the manufacture of their products will be entitled to encouragement.

Economic Program for Manchuria (Consul General W. S. Myers, Mukden, 3/27/34)

A program for the economic development of Manchuria, believed to represent the ideas of the Japanese Army Headquarters, was proposed in a speech at Dairen by General Koiso some time ago and has just appeared in the Japan-Manchukuo Year Book for 1934. It provides for unification and rationalization of the economic systems of Japan and "Manchukuo" and their arrangement to meet the requirements of war, should that contingency arise. Japan's economic position in Manchuria would be consolidated before any other country would be permitted to start business activities there. When Japan's position has been thoroughly consolidated, the policy of the open door would be recognized and the investments of foreign capital encouraged. A wide variety of enterprises (including even horse-racing) would be under the direct control and management of the Government, however.

FEDERATED MALAY STATES

(On May 26 one Straits dollar = \$0.5963)

Revenue Exceeds Budget Expectations (Trade Commissioner Julian B. Foster, Singapore, 4/3/34)

Final accounts of revenue and expenditure of the Federated Malay States for the year ended December 31, 1933, show a deficit of about 3,000,000 Straits dollars, or slightly less than had originally been anticipated. Revenue actually received amounted to S\$47,198,000, or S\$3,000,000 more than the original estimate, chiefly in consequence of increased receipts from export duties on rubber and tin. Revenue on import duty was slightly below the estimate. Total expenditures amounted to S\$50,253,000, including S\$6,944,000 for public-debt service,

S\$6,625,000 for pensions, S\$2,717,000 for public works and S\$2,039,000 for railway deficit. The railway deficit was disappointing, being about S\$1,000,000 more than had been estimated in the original budget.

HONG KONG

(On May 26 one Hong Kong dollar = \$0.3642)

Treasure Shipments (Commercial Attache Julean Arnold, Shanghai, 5/21/34)

For the first four months of 1934, imports of gold bars and ingots amounted to 5,953,000 Hong Kong dollars, of which 3,708,000 came from Siam and the balance from French Indo-China and Malaya. Exports amounted to 26,672,000 Hong Kong dollars, of which 19,402,000 went to the United States, 6,615,000 to the United Kingdom, and the rest to British Malaya. Exports of gold coins amounted to 473,000 Hong Kong dollars, chiefly to British Malaya.

Imports of silver bars and ingots amounted to 8,053,000 Hong Kong dollars, including 767,000,000 from the United States, the balance being chiefly from Kwangchow and Macao. Imports of silver coin amounted to 2,190,000 Hong Kong dollars, chiefly from Kwongchow and Macao. Exports of silver bars and ingots amounted to 2,146,000, including 1,009,000 to the United States and 1,094,000 to the United Kingdom. Exports of silver coins amounted to 2,037,000, chiefly to China.

JAPAN

(On May 26 one yen = \$0.3018)

1934-1935 Budget (Commercial Attache Frank S. Williams, Tokyo, 5/2/34)

The general budget passed by the Japanese Diet includes in Extraordinary Account some increases in appropriations over the figures given in the draft budget quoted in Far Eastern Financial Notes No. 150 of January 19, 1934. The total general budget as finally adopted is as follows:

	1934	1933
	(thousands of yen)	
Ordinary revenue	1,248,543	1,117,744
Extraordinary revenue ...	893,984	1,013,831
Total	2,142,528	2,131,575
Ordinary expenditures ...	1,247,562	1,211,462
Extraordinary expendi- tures	894,965	920,113
Total	2,142,528	2,131,575

The increases in extraordinary appropriations, as compared with the draft budget, are mainly in the Home Office (127,469,000 yen, an increase of about 8,000,000 yen) and Agriculture (78,800,000 yen, an increase of about 21,000,000 yen). The appropriation to the Department of Agriculture and Forestry in Extraordinary Account is nevertheless still 15,000,000 yen below that of 1933-34. The appropriation for Commerce Department in Extraordinary Account, 2,220,000, is 6,000,000 yen below the appropriation in the draft budget and about the same amount below the 1933-34 appropriation. Deficit bond issues, on the revenue side, are increased by about 26,000,000 yen over the

draft budget figure to 811,189,000 yen, a decrease of about 92,000,000 yen, as compared with the 1933-34 figures. Including special-account loans, the total amount of Government bonds to be issued during 1934-35 will be 907,000,000, as compared with 1,011,000,000 in the budget estimate for 1933-34. The actual issues of Government bonds in 1933-34 amounted to only 846,000,000 yen, however, the decrease being due mainly to an increase in revenue of about 90,000,000 yen over the estimate and a decrease in expenditures of about 50,000,000 in the general account.

The public loan program for the 1934-35 fiscal year, compared with that of the preceding year, is as follows:

Government Loan Program (In thousand yen)			
	<u>1934</u>	<u>1933</u>	<u>Decrease</u>
General account:			
Loans for reconstruction works necessitated by the earthquake of 1923...	12,306	17,459	5,153
Loans for the improvement of roads	6,590	16,676	10,086
Loans for the expenditure in connection with the Manchurian incident	159,325	186,330	27,005
Loans for covering revenue deficits	632,971	683,313	50,342
Total	811,189	903,780	92,591
Special account	95,978	108,030	12,052
Grand total	907,167	1,011,810	104,643

Deficit Budget Financing Discussed at Bankers' Meeting (Trade Commissioner
Frank S. Williams, 5/4/34 and 4/26/34)

At a meeting of representatives of 35 Japanese clearing houses on May 2, the Vice Minister of Finance, speaking for the Minister, made some interesting comments on the problems of the Ministry and particularly the question, much agitated in Japan at present, of increasing taxation to make up at least part of the budget deficit. Admitting that the issue of "red ink bonds" must be restricted, he made it clear that the Government has no intention of increasing taxes at present, the time not being ripe for such a step "in view of existing domestic and international economic conditions". He pointed out that the Government is trying to keep currency at the proper level and to stabilize Government bond prices through the market policy of the Bank of Japan and thus "prevent evils arising from excessive issuance of bonds." Cooperation of bankers is asked in achieving this end and in curbing speculation.

The Governor of the Bank of Japan, at the same meeting agreed that Japan's finances have been following the right course since 1933 and promised that the Bank of Japan would continue a sound policy. He expressed concern, however, over the increase in the amount of deficit bonds, which he fears may lead to uncontrollable inflation. The Bank of Japan's open-market operations are going

smoothly so far, but there is danger that the "circuit motion" of capital may hit a snag. (This "circuit motion" apparently refers to the movement of money, released by Government expenditures, back to the larger banks, in the form of deposits, where it is used, in the absence of opportunity for sound loans, in the purchase of Government bonds. The effect of this movement is seen in the steady increase in deposits, and in the spread between deposits and loans. Deposits of all banks associated with the Tokyo Clearing House totaled 2,369,260,000 yen on April 21, an increase of 21,826,000 yen for the week, while loans totaled only 2,149,622,000, a decrease of 16,630,000 yen.)

Regarding interest rates, the Governor of the Bank of Japan pointed out that the Bank could not adopt a policy of higher interest rates so long as it is faced with the necessity of disposing of large amounts of Government bonds. On the other hand, it is feared that lower rates might discourage thrift and lead to speculation in commodities. Taking all factors into consideration, it appears likely that the present rate of 3.7 percent given by Class A banks on deposits will not be changed and that the Bank of Japan will not lower its discount rates for the time being.

Deficit Bonds Defended by Finance Minister (Article by Finance Minister Korekiyo Takahashi in "Keizai", April, 1934, translated by office of Commercial Attache, Tokyo)

An article by Finance Minister Takahashi, apparently in reply to the considerable agitation that has arisen in Japan for a decrease in the amount of deficit bonds through higher taxation, makes it appear that there is at present no intention of balancing the budget. Mr. Takahashi gives assurance that the Government is conscious of the risk of adding indefinitely to the amount of deficit bonds and is studying the situation to see what a safe limit to the issue of bonds may be. At the present time he finds that Government disbursements from the profits of bond issues are proving a boon to industry and commerce and points out that the increase in note circulation, which is about 1,000,000 yen higher than a year ago, is not excessive in view of the increased business activity.

Mr. Takahashi maintains that the manner of issuing the bonds provides a dependable gauge of the people's capacity to assimilate them, since the bonds are all sold first to the Bank of Japan and held by that bank until applications for them are received. Not only does the Bank make no special effort to sell them, but it refuses to sell them to applicants, including banks, insurance companies, and individuals, unless they give satisfactory reasons for wanting to buy them. At present the Bank of Japan is holding about 580,000,000 yen in Government bonds. The 1934-35 budget calls for new issues of deficit bonds in the amount of 907,000,000 yen, and Mr. Takahashi claims that if only half that amount is taken by the banks and the people, the 1,000,000,000 yen of Government bonds left with the Bank of Japan would not prove an excessive burden. When the Bank's holding of bonds does reach the saturation point, it is suggested that the present minimum limit for securities investment by savings banks may be raised or insurance and trust companies may be required to hold a certain minimum amount of Government obligations. It is only after all these resources have been tried and the nation's capacity for assimilation has been exhausted that serious concern need be felt; and, when that situation arises, bond financing will be discontinued even for the most pressing defense appropriations.

Mr. Takahashi refused to commit himself to any program for meeting part of the deficits by increased taxes, although he gave assurance that the Government is studying the possibilities. He points out that they must keep in mind the possibility of a crisis and maintain a taxing power in reserve for that contingency. Business and industry are on the road to recovery, and it is wiser to let them retain their profits so that they may multiply them through active employment of their resources and thus build up a potential source of increased national income.

Regarding the exchange situation, Mr. Takahashi expressed himself as satisfied that Japan is making both ends meet--adverse merchandise balance being to a considerable extent offset by a favorable balance of invisible items. The keynote of Japan's foreign-exchange policy is to balance foreign payments for the purpose of maintaining a position from which reciprocal tariff agreements may be negotiated with other countries. For that reason the "Law Concerning Adjustment of Trade and Safeguarding of Commerce" was put through by the Government, which felt that the existing foreign-exchange control law might prove inadequate. If in the future the balance of payments is disturbed to the extent that Japan is faced with the necessity of settling a substantial deficit by remittances, a system of foreign-trade control will be considered.

National Debt (Commercial Attache Frank S. Williams, Tokyo, 5/19/34)

The funded debt of the Japanese Government, as of April 30, amounted to 8,139,000,000 yen, of which 6,724,000,000 yen was internal and 1,415,000,000 external. This indicates an increase of about 324,000,000 yen in the internal debt, as compared with February 28, while the external debt has remained about the same. In addition to the funded debt, there were rice notes outstanding on April 30 in the amount of 554,000,000 yen.

Bank Security Investments Heavy (Japan Advertiser, 4/19/34)

A consolidated statement of all banks in Japan, Formosa, and Karafuto, as of March 31, 1934, showed total deposits of 12,080,815,000 yen, an increase of 45,288,000 for the month, and loans (including discounts and overdrafts) of 10,424,873,000, a decrease of 58,306,000 for the month. Security holdings amounted to 6,183,354,000 yen, an increase of 288,793,000 for the month and 637,316,000 as compared with a year previous. Of the total security holdings, national bonds made up 3,607,403,000; prefectural bonds, 407,009,000; foreign securities, 153,218,000; corporation debentures, 1,530,233,000; and stocks, 485,491,000.

Banks Conserving Funds (Commercial Attache Frank S. Williams, Tokyo, 4/26/34)

In accordance with the recommendation of the Minister of Finance, Japanese banks have generally been following a conservative dividend policy, retaining a considerable portion of their earnings as reserves in anticipation of possible future contingencies. During the latter half of 1933, only 3 commercial banks raised their dividend rates, 323 retained existing rates, 31 lowered their rates, while 159 passed their dividends. Among savings banks, 2 raised their rates, 61 maintained their existing rates, 1 bank reduced its rate, and 16 passed their dividends.

Rice Purchase Bills Issued (Commercial Attache Frank S. Williams, Tokyo,
4/26/34)

An issue of 88,000,000 yen of rice-purchase certificates was made on April 25, 1934, to take up the same amount of certificates of the No. 20 issue, which matured on that date. The new issue, No. 25, bears a discount rate of $7\frac{1}{4}$ rin per diem, or approximately 2.65 percent per annum, and matures October 25, 1934. The new rate is $\frac{1}{4}$ rin higher than the rate on the previous issue, which did not prove popular, a considerable part of it being still in the hands of the Bank of Japan.

NETHERLANDS EAST INDIES
(On May 26 one florin = \$0.6779)

Public Debt (Trade Commissioner Charles E. Brookhart, Batavia, 4/10/34)

The funded debt of Netherlands India as of January 1, 1934, was 1,261,082,000 florins, including 315,000,000 florins in dollar bonds, converted at 2.50 florins to the dollar. Since January 1, these dollar bonds have practically all been converted into florin obligations, so that there no longer remains outstanding any funded debt in foreign currencies, the sterling debt having been converted into florin bonds in 1933.

The budget for the current fiscal year anticipates a deficit of 89,000,000 florins, including some sinking-fund provisions. Returns so far indicate an improvement over the estimates, however, and it is believed possible that the year may end without any increase in the net public debt.

Java Bank Position Strong (American Trade Commissioner Charles E. Brookhart,
Batavia, 4/10/34)

The Java Bank's statement of March 31, 1934, shows a strong position, some of the principal items being as follows:

	(florins)		(florins)
Discounts	9,218,375	Capital	9,000,000
Foreign bills purchased	272,822	Reserve	5,058,079
Loans	49,069,849	Special reserve ..	2,800,828
Netherlands Indian coins:		Note circulation ..	191,430,310
Gold	44,782,360	Deposits	28,277,637
Silver	32,352,987		
Subsidiary	215,708		
Other gold	68,551,319		
Total assets	245,470,247		

It will be observed that the gold reserve is about 60 percent of the note issue. During 1933 the gold reserve got as low as 50 percent, but it has always been maintained at an ample figure. All gold reserves are at present held in Amsterdam or Batavia, though at times earmarked gold in London, Paris, or Berlin is included in the reserves. Foreign-exchange settlements are generally made through Amsterdam, because of the expense of transporting gold from or to Batavia.

Note circulation averaged 202,000,000 florins during the 10 years ended December 31, 1932, reaching a high point of 315,000,000 florins in 1929. It averaged a little over 200,000,000 florins in the first half of 1933, but since the middle of 1933 has kept in the neighborhood of 190,000,000, indicating the static condition of business. The circulation is particularly significant in Netherlands India by reason of the fact that checks are not much used in business transactions--more than 90 percent of settlements, it is estimated, being made in cash.

Oil Concession (Consul General K. S. Patton, Batavia, 4/12/34)

Far Eastern Financial Notes No. 152, dated February 19, 1934, referred to a law granting an oil concession in West Java to the Sadjira (Japanese) Petroleum Company. More recent advice from Batavia indicates that the Sadjira Company is Javanese rather than Japanese. It is, in fact, a joint-stock company established in Batavia February 8, 1927, with a paid-in capital of 100,000 florins. Its management is in the hands of Wellenstein, Jrause & Company, of which the managing director is a naturalized Dutch subject of German origin living in Batavia. Application by the Sadjira Company for contracts to exploit two terrains in West Java has been approved by the Volksraad and the company will probably receive oil concessions under those contracts, but so far no concessions have been granted to it.

PALESTINE

(The Palestine pound is pegged to the pound sterling, or on May 26 = \$5.0897)

Palestine Government to Raise £2,000,000 Loan (Alfred Nutting, Clerk to Consulate General, London, 4/4/34)

The Palestine Government plans to raise a loan of £2,000,000, of which the principal and interest will be guaranteed by the British Government, for the following purposes:

Resettlement of displaced Arabs	£250,000
Water supply and drainage for Jerusalem and Haifa; water supply for Hebron and various villages; water resources, survey	933,000
Agricultural credits	200,000
Construction of oil berth and reclamation scheme at Haifa	210,000
Public buildings, including Jerusalem Post Office and various educational buildings and other purposes	407,000

It is proposed that the terms of the loan should contain a provision that plant, machinery, and materials imported into Palestine for use in the execution of works chargeable to the loan shall be (so far as possible) manufactured or produced in the United Kingdom. (Note: The Palestine Treasury is in an exceptionally strong position, showing a surplus of £P.2,144,419 on December 31, 1933, compared with £P.2,136,295 on April 1, 1933, the beginning of the fiscal year. In fact, surprise has been expressed in some quarters that the Government should be in the market for a loan in view of the fact that they have substantial amounts of cash on deposit at low rates of interest and are purchasing gilt-edged securities.)

PERSIA

(The latest exchange rate available is dated February 1934 and gives the exchange value of the rial as 16.45 to the dollar)

Budget for 1934-35 (Minister William H. Hornibrook, Teheran, 4/11/34)

The budget for the Persian year 1313 (March 22, 1934-March 21, 1935) has been passed by the Persian Parliament with receipts estimated at 621,413,417 rials and expenditures at 621,307,865 rials. It is thus balanced at approximately 38,000,000 dollars U. S. at the current rate of exchange. The estimated surplus of 105,552 rials is somewhat better than that estimated for the previous year, when receipts were estimated at 506,912,227 rials and expenditures at 506,904,460 rials. Both receipts and expenditures for the 1313 year include 15,000,000 rials transferred from receipts and credits belonging to 1312 which will be liquidated during 1313. The budget does not include an item of £2,000,000 which the Ministry of Finance is authorized to pay from the reserve fund for the purchase and improvement of military stores for the army. This reserve has been built up for this purpose pending approval of a supplementary credit. The budget also omits Anglo-Persian oil royalties which are deposited in the sterling reserve fund of the State maintained in London, sugar and tea receipts earmarked for railway construction, and road-tax receipts utilized for road construction and maintenance and for municipal improvements. The amounts of these revenues have not been made public. Some of the items which show substantial increases in 1313 over 1312 are as follows: Tax on cultivated lands (1313), 41,500,000, increase 6,500,000; income from stamp duties, 55,000,000, an increase of 25,000,000; alcoholic beverages tax, 18,000,000, increase 7,000,000; import and customs duties, 160,000,000, increase 18,000,000; opium monopoly, 60,000,000, increase 18,000,000; tobacco monopoly, 55,000,000, increase 5,000,000; interest on Government accounts in banks, 1,000,000, increase 400,000; Government claims, 2,000,000, increase 1,700,000.

A new item in revenue estimates is 9,500,000 rials estimated receipts from cement works, but this is largely offset by a new expenditure item of 8,000,000 rials for the improvement and exploitation of cement. The principal item among expenditures is 203,730,000 rials for the Ministry of War, an increase of 20,000,000 rials over the previous year. Adding the 29,000,000 rials appropriated for the Road Guard Department, the appropriation makes up about 37½ percent of the general budget, compared with 41½ percent in 1312. If the £2,000,000 appropriated from the reserve fund is added, however, War Department expenditures make up about half the total budget. It is understood that the £2,000,000 is intended for the purchase of a number of aeroplanes and for continuance of the Government's policy of modernizing its equipment.

Aside from the increase in the War Department appropriation, the increase in appropriations over the previous year is largely for new buildings and for two substantial items which did not appear in the previous budget, 18,000,000 rials for the capital of the opium monopoly and 40,000,000 for the "economics establishment of public utilities which will be approved following special laws". The appropriation for foreign debt service is 6,875,000 compared with 10,305,000 rials in the previous budget.

Receipts from monopolies make up 188,500,000 rials, or about 30 percent of the new budget, as compared with 32 percent for 1312. Customs revenues amounting to 160,000,000 rials make up 25 percent of the new budget, compared with 28 percent of the previous one. Direct taxes amount to 92,000,000 rials, or 16 percent of the new budget, compared with 14 percent of the previous one. The remaining 29 percent of the new budget is made up of various indirect taxes and receipts from concessions, Government holdings, public domains, and receipts of the various Government Ministries.

Revenue increases are expected to be gained chiefly through increases in the tax on cultivated land and alcoholic beverages, increased import and export duties, revision of the income tax, imposition of a stamp tax, and reconstitution of the opium monopoly. The increase in customs revenues is expected not only from increased duty rates but also apparently from the increase last November in the quota of imports under the Foreign Trade Monopoly Law. At that time import quotas under the foreign trade monopoly were increased from 631,900,000 to 1,285,040,000 rials, and it is considered possible that further increases may be provided when the new quotas are fixed for the economic year beginning June 22, 1934.

Decline in Rial (Various sources)

The rial fell from 100.50 to 100 French francs to 105.25 during banking hours on Saturday, March 31, apparently as a result of a decline in the world price of silver, an increase in imports following the Persian New Year, and, according to some reports, a desire on the part of the Government to reduce the exchange value of the rial as an aid to export trade.

The premium on export certificates fluctuated between 9.65 and 8.75 percent during the first week of April. These export certificates must be presented in applying for import permits, on a basis of 100 to 85. (Changed from 100 to 95 on February 27, 1934.) A proposal is being considered to organize a company which would purchase export certificates for a premium of 9 percent in cash and 3 percent in stock and sell them to importers at a premium of 14 percent. This, it is believed, would stabilize the premium on export certificates and at the same time encourage exporters.

Gold Purchase Bill Passed (Various sources)

A bill was introduced into the Persian Parliament April 21 authorizing the National Bank of Persia to buy gold in Persia at such prices as it might deem advisable and to place such gold to the account of the currency reserve. The bill was passed immediately, the only opposition coming from one deputy who was afraid that gold might be purchased at a high price for the purpose of depreciating the value of the rial. The Minister of Finance gave his assurance, however, that the National Bank would never buy gold at more than the world price.

The law previously in effect was decidedly out of date, as it only authorized the National Bank to buy gold at not more than 2,721.35 rials per kilogram, a rate established when the rial was worth about 24 cents. The current rate (April 23, 1934) is 15.95 rials to the dollar or 1.054 rials to the French franc.

As a result of this law, the price of gold in Teheran has been fixed at 72 rials to the miscal (4.64 grams) of gold 0.975 fine. This is 10 rials higher than the former price on the Teheran market.

SIAM

(One Siamese baht = 1/11 of one pound sterling or on
May 26 = \$0.4627)

Budgets (Minister James M. Baker, Bangkok, 3/7/34).

Revenue of the Siamese Government for the fiscal year ended March 31, 1934 is expected to be about 3,000,000 Baht in excess of the budget estimate of 72,428,424 Baht. This is due, to the extent of 1,000,000 Baht, to the increase in tin royalties, 1,000,000 Baht from profits on exchange, due to the unexpectedly great demand for sterling exchange, and 1,000,000 Baht from customs duties, which apparently will exceed the estimate by that amount. On the other hand, expenditure is increased beyond the original estimate by reason of a supplementary grant of 3,500,000 Baht to the Ministry of Defense and 256,600 Baht to the Ministry of Economic Affairs for the construction of a flying field. Since the original budget estimate placed revenues at 72,428,424 Baht and expenditures at 72,415,415 Baht, it appears that the year will actually result in a deficit of about 750,000 Baht.

For the year ending March 31, 1935, revenue is estimated at 74,467,088 Baht, and expenditure at 74,453,225 Baht. Of the revenue, 700,000 Baht is to be obtained by transferring to revenue account the interest earned on the Debt Redemption Fund and 800,000 Baht by transferring to revenue account the balance remaining in the Education Cess Fund. Tin royalty is estimated to bring in 1,745,840 Baht more than the original budget estimate for 1933-1934, an expectation which appears reasonable in view of the increasing price of tin. Customs revenue is expected to be 322,000 Baht higher than in the year just completed. The Minister of Finance admits frankly that the estimate of revenue cannot be considered a conservative one and depends for its realization on an increase in the price of rice. The increase in expenditures in the 1934-1935 budget is largely due to an increase of 2,000,000 Baht in the grant to the Ministry of Education, which is, however, more apparent than real, since the Ministry of Education in 1934 received 1,500,000 Baht from the Education Cess Fund and 200,000 Baht as a gift from the King, these amounts not being included in the budget. The 1934-1935 appropriation for the Ministry of Defense is 310,630 Baht in excess of the previous year's estimate.

The capital expenditure budget for 1934-1935 is about 813,000 Baht less than that of the year just completed. The details are as follows:

	<u>1933-34</u> <u>Baht</u>	<u>1934-35</u> <u>Baht</u>	<u>± or-</u> <u>Baht</u>
Railways	2,500,000	1,547,000	(-) 953,000
Irrigation	1,491,300	1,529,805	(+) 38,505
Posts and Telegraphs..	165,000	178,000	(+) 13,000

	<u>1933-34</u> <u>Baht</u>	<u>1934-35</u> <u>Baht</u>	<u>+ or -</u> <u>Baht</u>
Cooperative Societies	700,000	700,000	-
Civil Aviation.....	40,000	63,500	(+) 23,500
State Highways	1,100,000	1,165,000	(+) 65,000
	<hr/>	<hr/>	<hr/>
TOTAL	5,996,300	5,183,305	(-) 812,995

It is not believed that any new loans will be required, as expenditure on capital works will be met from the 400,000 Baht unexpended balance of the last internal loan, from the net earnings of the currency reserve and from Treasury balances.

The funded debt as of March 31, 1934, amounted to 18,225,142, the equivalent of 90,806,562 Baht, in sterling loans and 10,000,000 Baht in internal loans, a total of 100,806,562 Baht. The $4\frac{1}{2}$ percent and 6 percent sterling loans are both quoted above par on the London Stock Exchange. The debt redemption fund as of December 31, 1933, amounted to 29,454,724 Baht, of which more than 19,000,000 Baht was in cash with London banks and the remainder invested in Siamese sterling bonds.

Note Circulation (Minister James M. Baker, Bangkok, 3/7/34)

The net circulation as of December 31, 1933 (not including notes held in Government Treasuries), was 91,538,477 baht, a decrease of 1,780,988 baht as compared with a year previous. The reserve included sterling securities equivalent to 13,937,000 baht, sterling deposits in London banks equivalent to 27,500,000 baht, and cash at call in sterling equivalent to 41,944,000 baht. The sterling cover thus represented 91.08 percent of the net circulation. In addition, the reserve held silver baht coins in the amount of 43,372,000 baht.

Exports during the 10 months ended January 31, 1934, were lower than in the corresponding 10 months of the previous fiscal year, as a result of lower gold exports, while imports were a little higher. It appears, nevertheless, that the fiscal year 1933-34 will show a net export balance. The figures for the 10 months are as follows:

	<u>1933-34</u> <u>(baht)</u>	<u>1932-33</u> <u>(baht)</u>
Exports (including gold)	114,451,620	125,203,246
Imports	77,457,359	73,093,365
	<hr/>	<hr/>
Excess of exports over imports	36,994,261	52,109,881

Gold exports for the first 10 months of 1933-34 fiscal year amounted to 10,734,389 baht, a decrease of 11,322,438 baht, as compared with the figure for the corresponding period of 1932-33. It is not believed that gold exports can continue many months longer at the present rate.

STRAITS SETTLEMENTS

(On May 26 one Singapore dollar = \$0.5963)

Money Lenders to be Controlled (Trade Commissioner Julian B. Foster, Singapore, 3/29/34)

A "money lenders bill" is to be introduced in the Straits Settlements Legislative Council requiring the licensing of all money lenders. They must register in their true names and must not carry on business as bankers or at more than one address. Satisfactory evidence of character must be produced, and licenses will be revoked on conviction of an offense. Lending money to minors is not permitted. Every promissory note must set forth the principal, any amount deducted as interest or discount paid in advance, and the rate of interest per month or per year. Where interest is charged in excess of 3 per cent per month or 36 percent per year, the burden will be on the money lender to prove that the interest charged is not excessive. Compound interest is prohibited. Accounts must be kept in permanent books, and promissory notes in any other form than those laid down in the bill will not be enforceable. Other clauses are intended to protect the borrower against subterfuges used by money lenders to evade the restrictions of other bills attempting to enforce reasonable interest rates.

UNION OF SOVIET SOCIALIST REPUBLICS

The new par of the chervonetz is \$8.7127. There are 10 rubles in a chervonetz, so 1 ruble = \$0.8713)

New Internal Loan Offered (Moscow Izvestiya, Moscow, 4/15/34)

The Central Executive Committee and the Soviet of People's Commissars issued a joint resolution on April 14, 1934, authorizing the floating of a new loan of 3,000,000,000 rubles to be known as the "State Internal Loan of the Second Five-Year Plan, Issue of the Second Year". A similar loan was floated last year under the sub-title "Issue of the First Year." The loan will be dated October 1, 1934, and will be for a term of 10 years. Part of it will bear interest at 10 percent per annum, and part will bear no interest, but the equivalent will be paid in the form of lottery prizes. Subscribers will have the option of choosing either type of bond, and the amounts of the two issues will be established in accordance with the subscriptions. Bonds will be in 100-ruble denominations, but some of them will be divisible into certificates in denominations as small as 5 rubles. All revenues from the loan are free from state and local taxes. Holders may, on special permission of the Commission for the Development of State Credits and Savings Banks, borrow against their bonds or sell them to the savings banks.

As an incentive to subscriptions, proceeds of the loan will be spent partly in the districts where they are subscribed, as indicated in the following excerpt from the announcement of the loan.

Fifteen percent of the amount of the loan actually placed in a given territory among workmen and employees is to accrue to the state budgets of the respective constituent republics. Ten percent of the amount placed among workmen and employees, both in cities or rural districts, will be assigned to local budgets (city or village budgets). Of the amount placed among the remainder of the population, 25 percent will be assigned to

the local budgets. These amounts will be used exclusively for economic and cultural upbuilding in the respective republic, city, settlement, district, or village. Of the amount of the loan placed among members of the Red Army, Militia, O.G.P.U., convoy guards, and railway guards, 10 percent will be used for advancing the economic and cultural interests of the respective troops.

Amos E. Taylor, Acting Chief,
Finance and Investment Division.

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DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NEWS

No. 160 Far Eastern Financial Notes June 19, 1934.
Subscription to European Financial Notes, Far Eastern Financial Notes, and
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NOTE: -- In citing foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for statements or opinions quoted.

AUSTRALIA

(On June 11 one pound = \$4.0294)

Commonwealth Accounts Show Improvement (Trade Commissioner E. C. Squire, Sydney, 6/5/34).

Estimated London funds of the Commonwealth Bank and the trading banks on March 31, 1934, were £45,000,000, compared with £34,000,000 on March 31, 1933.

Government accounts are considered very satisfactory, since combined Federal and State deficits amount to only £4,700,000 compared with £6,000,000 at the same time last year, New South Wales showing the greatest improvement.

The combined short-term debt at the end of April amounted to £85,300,000. Early issue of an internal loan is proposed, £3,500,000 to be used for reduction of the short-term debt and £8,500,000 for public works.

BRITISH INDIA

(On June 11 one rupee = \$0.3795)

Currency Expanded (Samuel Montagu and Co. Weekly Bullion Letter, 5/23/34, and other sources)

The return of the Currency Department for May 7 showed a 22,000,000 rupee expansion of the note circulation against British Government securities. Holdings of silver coin and bullion in the reserve declined about 8,000,000 rupees, while those of British Government securities increased 30,000,000 rupees. It was the general impression in financial circles that the expansion of the currency, the first for some time, indicated that the Finance Department was preparing for a new loan. The immediate effect was a reduction in the interest rate on call loans which fell as low as 3/4 of 1 percent and an increase in the demand for Treasury bills. The average rate on Treasury bills sold at the offering on May 9 was rupees 1-11-0 percent compared with rupees 2-1-7 percent a week earlier and rupees 2-5-0 percent early in April. The currency return of

May 15 did not show the expected continuance of the expansion. However, note circulation showed a moderate contraction of 4,600,000 rupees to a total of 1,786,200,000 rupees. The contraction was effected against reduction of 4,700,000 rupees in holdings of silver coin and bullion and 900,000 rupees in Indian Government securities, while holdings of British Government securities increased 1,000,000 rupees.

Income Tax Revenue (Trade Commissioner C. E. Christopherson, Calcutta, 5/7/34).

Income tax revenues from the various provinces of India for the year ended March 31, 1933 were as follows:

<u>Province</u>	<u>Rupees</u>
Bombay	46,223,157
Bengal	43,980,242
Burma	17,416,122
Madras	16,798,748
United Provinces	11,600,377
Punjab	8,690,484
Bihar and Orissa	6,871,745
Central Provinces and Berar	3,853,422
Assam	1,939,754
N.W.F. Province	1,173,980
	<hr/> 158,548,031

The total of 158,548,031 rupees compares with a budget estimate of 169,100,000 and with actual revenues of 174,873,000 for the year ended March 31, 1932. The budget estimate of income tax revenues for the year ended March 31, 1934 was 171,130,000 but it is generally believed that the actual revenue was about 10,000,000 less. The budget for 1934-35 estimates income tax revenues at 172,500,000 rupees.

4 Percent 1934-37 Loan to be Paid in Full (The Financial News, (Bombay) 5/19/34).

The Government has given notice that the 4 percent 1934-37 loan will be paid in full on August 16. The amount involved is about 195,000,000 rupees. In addition to this, the Government has to pay on September 15 about 130,000,000 rupees of $4\frac{1}{2}$ percent bonds. The Government will also probably require some funds for public works. All these cannot be financed by the Postal Savings Deposits and by the sale of Post Office Cash Certificates. Currency expansion to cover this is also unthinkable, therefore, a new loan is inevitable. The Government is delaying it, hoping to get a more favorable opportunity, but whether their anticipations will be realized or not is by no means certain.

Gold and Silver Market (Trade Commissioner C. E. Christopherson, Calcutta, 5/17/34).

The gold market ruled steady during the week, quotations closing at Rs. 33-12-0 per total. Exports from Bombay during the week totaled 9,022,000 rupees. Shipments were all consigned to Europe and America.

The silver market continues uncertain, being influenced by discussions in the United States regarding silver legislation. The price of ready advanced from Rs. 51-10-0 on May 3 to Rs. 53-12-0 on May 9. Stocks in Bombay and Calcutta are estimated at 14,000 bars and the offtake continues unchanged at about 125 bars. Total imports during the week amounted to 12,480 rupees in coin.

CHINA

(On June 11 one yuan = \$0.3288)

1935 Budget Anticipates Deficit (Commercial Attache Julean Arnold, Shanghai, 6/4/34).

The national budget for the fiscal year ended June 30, 1935, estimated revenues at 816,000,000 yuan and expenditures at 919,000,000 yuan. Of the expenditures, 50 percent is for military purposes. No other details are available at this time.

Exchange Rates (Assistant Commercial Attache A. Bland Calder, Shanghai, 5/4/34).

The average of Shanghai banks' selling rates for telegraphic transfers on New York during April was U. S. \$0.339636 to the Chinese yuan or silver dollar. The average for the customs gold unit during April was U. S. \$0.6786.

Shanghai Loan Oversubscribed (Commercial Attache Julean Arnold, Shanghai, 6/1/34).

A 7,000,000 yuan debenture issue of the Shanghai Municipal Council bearing 5 percent interest and offered at 102 $\frac{1}{2}$ was oversubscribed three-fold within 15 minutes, in spite of the fact that it carried no clause fixing the silver content of the yuan.

Industrial Bank Planned (Commercial Attache Julean Arnold, Shanghai, 6/1/34).

Plans have been completed for the organization of the Chinese Development Finance Corporation under the auspices of the leading Chinese banks, including the Central Bank of China. There will be an initial capital of 10,000,000 yuan full subscribed. The bank is intended to assist in the development of commerce and industry in China.

Railway Loan Authorized (Chinese Economic Bulletin, 4/28/34).

The Legislative Yuan has authorized a 12,000,000 yuan loan for railway reconstruction. It is to be known as the "23rd Year First Issue of the Railway Reconstruction Loan" and is understood to be the first of a series of issues which the Ministry of Railways will float for the construction of new and the reconditioning of existing lines. The first issue will be devoted to the construction of a new line between Yushan and Pingsiang in Kiangsi Province. The loan will bear interest at 6 percent and will be issued at 98. There will be no amortization the first few years, but beginning with June 30, 1935 principal will be redeemed in 16 semi-annual drawings. Earnings of major railways under the direct control of the Ministry of Railways are to be earmarked as a sinking fund for the payment of principal and interest, and deposits shall be made monthly toward meeting the required interest and amortization payments.

(Over)

A 5-year plan involving the expenditure of 19,000,000 yuan for the improvement of the Peiping-Hankow Railway has been approved by the Ministry of Railways. Loans to cover this amount will be arranged by the Ministry.

The Central Political Council has authorized the flotation of a 6 percent loan in the amount of 11,500,000 to be used toward the completion of the Canton-Hankow Railway. The loan will be secured by arrangement with the trustees of the British Boxer Indemnity Refund. Other terms of the issue have been referred to the Legislative Yuan for consideration.

Silver Stocks (Assistant Commercial Attache A. Bland Calder, Shanghai, 5/4/34).

Stocks of silver in Chinese and foreign banks in Shanghai continue to increase, being estimated at 576,000,000 yuan on April 30, 1934, compared with 567,000,000 yuan at the end of March. Stocks were estimated at 540,000,000 yuan at the end of 1933 and 443,000,000 yuan at the end of 1932.

FEDERATED MALAY STATES

(On June 11 one Straits dollar = \$0.5931)

Fewer Bankruptcies in 1933 (Trade Commissioner Julian B. Foster, Singapore, 4/12/34).

The 1933 report of the Bankruptcy Department of the Federated Malay States for 1933 shows that there was a marked decrease in insolvency, with 338 bankruptcy notices issued by the court in 1933, as compared with 554 in 1932 and 443 in 1931. Of the total notices, 168 were for debts under S\$500 and 170 for debts over S\$500. The number of bankruptcy petitions filed was 127 as compared with 190 in 1932 and 187 in 1931. Of these, 36 were filed for debts under S\$500 and 91 for debts over S\$500. It is reported that the gross liabilities and assets as given by the debtors amounted to S\$1,180,013 and S\$691,668, respectively. The decrease in bankruptcies, while it is undoubtedly due to some extent to improved trade and increased circulation of money, is also a definite sign that the really weak and irresponsible trading concerns have been eliminated and that the trading structure of the country is now in a sounder condition generally.

HONG KONG

(On June 11 one Hong Kong dollar = \$0.3625)

Circulation and Reserve (Consul General Douglas Jenkins, Hong Kong, 5/8/34).

Returns of the average amount of bank notes in circulation and of specie in reserve in Hong Kong, during the month ended April 30, 1934, as certified by the managers of the respective banks, are as follows:

<u>Banks</u>	Average amount of banknotes in circulation (Hong Kong dollars)	Specie in reserve
Chartered Bank of India, Australia and China	15,869,441	1/ 8,300,000
Hong Kong and Shanghai Banking Corporation	154,948,251	2/ 140,000,000
Mercantile Bank of India, Ltd.	1,299,289	3/ 1,350,000
Total	172,116,981	149,650,000

- 1/ In addition to sterling securities valued at £722,400 deposited with the Crown Agents.
- 2/ In addition to securities valued at £3,284,000 deposited with the Crown Agents and Straits Government.
- 3/ In addition to securities valued at £190,000 deposited with the Crown Agents.

IRAQ

(The dinar is equivalent to the pound sterling or
on June 11 = \$5.0563)

Circulation (Vice Consul George W. Renchard, Baghdad, 5/1/34).

The report of the Currency Officer of Iraq indicates that the total note circulation as of March 31, 1934, amounted to 2,612,065 dinars, or approximately \$13,247,049. Silver currency in circulation amounted to 412,450 dinars, nickel to 48,990 dinars, and bronze coins to 10,860 dinars, making a total coin circulation of 472,300 dinars, or \$2,339,828.

Iraq-Palestine Trade Agreement (Consul General P. Knabenshue, Baghdad, 4/19/34).

Iraq and Palestine have started negotiations with the object of concluding a trade agreement which will include a most-favored-nation clause. It is understood that the principal features to be discussed are the establishment of an Iraqi port at Haifa, improvement of the Baghdad-Haifa desert track, and customs arrangements which will facilitate trade between the two countries.

JAPAN

(On June 11 one yen = \$0.2995)

Government Revenues and Expenditures (Commercial Attache Frank S. Williams, Tokyo, 6/4/34).

According to a statement of the Department of Finance, ordinary revenues of the Japanese Government for the year ended March 31, 1934 were 987,000,000 yen, an increase of 82,000,000 as compared with the previous fiscal period. Extraordinary revenues amounted to 784,000,000, an increase of 315,000,000 yen. Ordinary expenditures amounted to 1,083,000,000 yen, an increase of 99,000,000,

while extraordinary expenditures amounted to 720,000,000 yen, an increase of 168,000,000 yen. The increase in ordinary revenues was due largely to improved revenue from taxes, stamp dues, and Government enterprises.

Minister Opposes Tax Increase (Japan Advertiser, 5/13/34).

Minister of Finance Takahashi, at the second meeting of Government officials and banking leaders, reiterated his opposition to tax increases for the purpose of balancing the budget or decreasing the amount of deficit bond issues. He said tax increases must be avoided pending improvement of financial conditions and hinted that the Government hopes that business improvement will in itself go far toward increasing Government revenues. He also stated that the Government does not consider tax increases really necessary at present, believing that the issues of deficit bonds have so far brought favorable effects, stimulating industry, relieving unemployment, and increasing national purchasing power.

Speaking at the same meeting, the Finance Minister reported that the Government is carefully watching the development of the exchange situation and is endeavoring to keep the yen stable in relation to the pound through balancing of international payments, prevention of capital expatriation, and regulation of exchange speculation. The yen is not artificially pegged to the pound, however. Reports from officials of the Yokohama Specie Bank gave reason to expect that it will be possible to continue to keep the yen stable, since they estimate that the favorable foreign trade balance this year will be about the same as last year while the invisible items will be somewhat more favorable to Japan than last year.

Government Bond Issue (Commercial Attache Frank S. Williams, Tokyo, 6/5/34).

The Treasury has announced the issuance on June 1 of 91,000,000 yen of 4 percent bonds maturing June 1, 1960. The bonds were issued at 98. The purpose of the issue was to refund an issue of 5 percent bonds maturing June 1, 1934.

Provincial Finance (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

At the conference of Governors now in session in Tokyo, Finance Minister Takahashi dealt with provincial finance. He urged the curtailment of expenditures and warned against the increasing tendency of provincial organization to seek financial aid of the Central Government.

Note Circulation and Government Bond Holdings of the Bank of Japan (Various sources)

The Bank of Japan statement for April 28, 1934, shows currency notes outstanding in the amount of 1,271,718,000 yen, against which there was a gold reserve of 470,880,000 yen. Deposits amounted to 329,579,000 yen, of which 254,068,000 yen was Government deposits. Bills discounted amounted to 622,110,000 yen and holdings of Government bonds to 493,935,000 yen. Since the Bank of Japan may issue currency notes to the amount of 1,000,000,000 yen against Government bonds, Treasury certificates and other securities and commercial bills, in addition to its issue covered by gold and silver coins and

bullion, there is ample room for currency expansion, even without calling on the additional privilege of exceeding the 1,000,000,000 yen issue against securities with the approval of the Finance Minister. Comparing the recent statement with that of March 25, 1933, when the note circulation amounted to 1,072,462,000 yen and holdings of Government bonds to 437,749,000 yen, it is observed that the increase is in each case comparatively moderate when it is considered that Government bond issues during the year ended March 31, 1934 amounted to 846,000,000 yen, all taken by the Bank of Japan. The increase in circulation is still more moderate when the April 28, 1934 figure of 1,271,718,000 yen is compared with the April 30, 1933 figure of 1,179,886,000 yen.

The note circulation increases when the Bank purchases a new issue of bonds from the Government. As this new currency is placed in circulation by Government expenditures, it returns to the banks in the form of deposits or through repayment of loans by borrowers. Since the demand from business for accommodation is moderate, banks are forced to employ their idle funds in the purchase of Government bonds from the Bank of Japan, thus reducing the bond holdings of that institution and correspondingly reducing the note circulation.

Export Indemnity Bill Purchases Increase (Commercial Attache Frank S. Williams, Tokyo, 5/28/34).

The Department of Commerce reports that export bills purchased under the Export Indemnity Law during the fiscal year ended March 31, 1934, amounted to 21,010,000 yen, an increase of 11,590,000 yen over the figure for the previous fiscal year. The Government was required to pay 250,000 yen in indemnities, compared with 128,341 yen the previous fiscal year.

Bonds and Stock Yields Decline (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

According to the Hypothec Bank of Japan, yields on bonds, stocks, and debentures on May 1 were as follows:

	<u>May 1, 1934</u>	<u>April 2, 1934</u> (in percent)	<u>May 1, 1933</u>
State bonds	4.455	4.461	4.906
Local government bonds	4.931	4.937	5.465
Hypothec debentures	4.927	4.928	5.414
Agricultural and industrial debentures	5.119	5.229	5.806
Bank debentures	5.052	5.054	5.620
Corporation debentures	5.441	5.058	6.045
Average yield	4.988	5.020	5.543

Japanese Government Discontinue Purchase of Foreign Bonds (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

According to a report issued by the Finance Office, the Deposit Bureau of that Department has decided to discontinue the purchase of Japanese bonds issued abroad and also foreign treasury bills, and to keep the annual returns resulting from these bonds, as well as the interest yielded by its deposit accounts abroad, in the form of foreign currencies. The income from this source has been

amounting to 10,000,000 yen per annum (at par) and bond purchases abroad have been made from the beginning of this year, due to high interest rates, and to low interest rates in Japan. Objections, however, have recently been raised to this procedure based on the following considerations: (1) It is not considered proper for the Government to continue buying bonds abroad without restriction, since the Government exercises strict regulation through the Exchange Control Bureau over non-Government operations in the international exchange market, as for instance, the electric companies' redemption of foreign loans; (2) the Deposit Bureau's foreign income should be transferred to the General Account of the Government, since the Government finds it necessary to send abroad a considerable amount of money from that account to meet its various overseas obligations; and (3) it is advisable to keep the Deposit Bureau's accounts abroad in the form of foreign currency, as a preparatory measure for 1936 requirements, as the South Manchuria Railway Company's foreign loans are to be redeemed in 1935.

Deposits Bureau Shows Profit (Commercial Attache Frank S. Williams, Tokyo, 5/12/34 and Japan Advertiser, 5/13/34).

The Deposits Bureau, a division of the Ministry of Finance, was formed to act as a depository for public funds, chiefly postal savings and postal transfer savings deposits. It also holds certain funds transferred from special accounts of the Government, while savings banks are required to deposit with it, as a guaranty, Government bonds equal to one-third of their savings deposits. Its funds are invested mainly in Japanese Government bonds, which it held to the amount of 1,304,000,000 yen on August 31, 1933, and in municipal and Hypothec Bank bonds. It also invests in the Government's foreign bonds and makes loans to public and private organizations. The Bureau is reported to have shown a net profit of 44,000,000 yen for the year ended March 31, 1934. The profit for the previous year was 69,000,000 yen, but since that included an exceptional item of 43,000,000 yen representing profit from the sale of foreign exchange holdings, the 1933-34 showing is considered very satisfactory.

The Bureau holds some 170,000,000 yen in Japanese external bonds, from which it derives about 10,000,000 yen annually in interest. At the beginning of this year it was decided to invest this revenue in additional purchases of foreign-currency Japanese bonds, in view of the favorable yield. The policy has now been changed, however, and the revenue from external bond holdings, as well as the interest on foreign deposit accounts, will be kept in the form of foreign currencies. It is understood that these will be used partly to assist the Finance Ministry in meeting its overseas obligations under General Account and partly in preparation for the redemption in 1936 of South Manchurian Railway foreign bonds.

Tokyo Clearing House Banks' Bank Deposits Increase (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

Deposits in Tokyo Clearing House banks reached 2,387,676,000 yen on May 5-- an increase of 62,195,000 yen during the week. The increase was largely due to the redemption of the Hypothec Bank debentures to the amount of 39,000,000 yen. Loans total 2,138,833,000 yen -- an advance of only 3,150,000 yen-- reflecting the continued slackness in demand for new funds. Call loans amounted to 363,776,000 yen, a gain of 24,101,000 yen. This was attributable to the heavy absorption of call money by the Yokohama Specie Bank. Cash on hand amounted to 134,804,000 yen -- a decrease of 1,006,000 yen, this being due to the heavy purchase of securities here of the Bank of Japan by member banks, thus utilizing

accumulated idle funds. Rice purchase notes to the amount of 52,000,000 yen were redeemed in cash during the week ended May 5.

Clearings Decrease (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

The total number of bills cleared at the Tokyo Clearing House during April was 1,128,827 and the total value was 1,953,575,000 yen. Compared with the previous month, this represented a decline of 65,100 bills in number and 745,367,000 yen in value. Compared with April 1933, it represented an increase of 113,196 in number but a decline of 371,752,000 yen in value.

Bill clearings for all of Japan for the first 4 months of 1934 totaled 11,517,383 in number and 21,717,061,000 yen in value, an increase of 401,559 bills valued at 2,731,612,000, as compared with the same period of 1933.

More Banks Liquidated (Japan Weekly Chronicle, 5/10/34).

The Department of Finance announced that the Noto Bank of Ishikawa prefecture absorbed the Kumaki Bank in April. The Noto Bank now has an authorized capital of 2,175,000 yen. During the first 4 months of the year, 8 banks went into liquidation, while 3 were established, thereby showing a net decrease of 5 banks -- 4 commercial and 1 savings bank.

Postal Savings Deposits Decline (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

The Department of Communications reports that post office savings bank deposits at the end of April numbered 41,765,341, and the amount of deposits totalled 2,843,375,000 yen, indicating an increase of 155,699 in the number of depositors, but a decrease of 5,297,000 yen in deposits. The decline is attributable to seasonal factors.

Power Company Issues Bonds (Commercial Attache Frank S. Williams, Tokyo, 6/4/34).

The Nippon Power Company has announced the issuance of 7,000,000 yen of mortgage debentures, the entire amount being taken by the Industrial Bank of Japan. The debentures bear interest at 4.7 percent and are to be redeemed within 8 years.

Steamship Company Declares Dividend (Commercial Attache Frank S. Williams, Tokyo, 5/12/34).

The Nippon Yusen Kaisha has announced that a dividend at the rate of 3 percent per annum will be paid for the first half of 1934. This will be the first dividend for 3½ years and reflects the generally improved condition of shipping companies in Japan. The improvement in the company's finances is attributed in the official statement to the higher exchange value of the yen, the settlement of the Indo-Japanese trade conference, and the improvement in freight rates. It is also due apparently to savings in interest rates because of the fact that the company has redeemed 30,000,000 yen of its debenture debt of 60,000,000 yen and has converted the remaining 30,000,000 yen at lower interest rates. The interest thus saved is understood to amount to about 600,000 yen annually.

(Over)

NEW ZEALAND

(On June 11 one pound = \$4.0413)

New Zealand Bank Returns (Australasian Insurance and Banking Record, 4/21/34).

Returns as of March 31, 1934 for the New Zealand business of the 6 banks operating in that Dominion are particularly notable for the increase in holdings of Government securities and the decrease in the item "debts due to the banks" representing chiefly loans, overdrafts, etc. Total assets of the 6 banks increased from £66,913,940 on March 31, 1933 to £73,435,097 on March 31, 1934. Government and other securities amounted to £23,777,236 on March 31, 1934, an increase of £14,109,000 for the year. Debts due amounted to £40,311,423, a decrease for the year of £7,623,403. Note circulation amounted to £6,294,631, an increase of £289,810. Total deposits amounted to £62,304,082, an increase of £7,137,209 for the year, in spite of the fact that Government deposits amounting to £1,190,649 showed a decrease of £1,305,954.

The large increase in holdings of securities is due to the arrangement under which the Government buys surplus London exchange from the banks, paying for it in Treasury bills. The banks have the right to repurchase London funds from the Government at the rate of exchange at which they originally sold them. The New Zealand Government has at present about £20,000,000 in London funds which will be to a considerable extent available to the banks for financing import trade later in the season.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U. S. dollar.

The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of two pesos for one dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

1933 Operations Include Surplus (Acting Trade Commissioner Carl H. Boehringer, Manila, 5/9/34).

Operations of the Philippine Government showed a surplus of about 500,000 pesos in the general, special and bond funds for 1933, compared with a deficit of nearly 5,000,000 pesos the previous year and an aggregate deficit of nearly 20,000,000 pesos in the preceding 3 years. In the general fund alone the 1933 operations showed a surplus of 1,416,000 pesos, compared with a deficit of 4,495,000 pesos the previous year and an aggregate deficit of nearly 23,000,000 pesos in the preceding 3 years. The consolidated statements of general, special and bond funds for the past 4 years and the statements of the general fund alone for the same periods are as follows:

Consolidated Statement

<u>Year</u>	<u>Income</u> (pesos)	<u>Expenditures</u> (pesos)	<u>Surplus (+) or</u> <u>deficit (-)</u>
1930	97,869,948	104,037,079	- 6,167,131
1931	82,159,870	91,018,512	- 8,858,642
1932	74,716,772	79,696,887	- 4,980,115
1933	70,025,934	69,535,030	+ 490,904

<u>General Fund</u>			
<u>Year</u>	<u>Income</u> (pesos)	<u>Expenditures</u> (pesos)	<u>Surplus (/*) or deficit (-)</u> (pesos)
1930	84,494,630	95,828,239	-11,333,609
1931	69,425,592	76,641,466	-7,215,874
1932	61,441,172	65,936,588	-4,495,416
1933	58,047,374	56,631,362	+1,416,013

The cash position of the general fund was also improved, the figure on December 31, 1933 being about 4,000,000 pesos higher than on December 31, 1932.

The improved position is due to a campaign for maximum collection of taxes which brought in revenue nearly 6 percent above the estimates and to rigid economies in all departments. Every department and bureau in the Central Government lived within its budget appropriations and closed the year with a surplus. A major economy item was the exercise of administrative options withholding release of certain items in the public works account of 1933.

Government-controlled companies also did their part, none of them showing a deficit for 1933. The Manila Hotel showed a small net profit of 500 pesos compared with a deficit of 25,000 pesos in 1932. The Manila Railway Company showed a net income of 21,432 pesos, compared with a deficit of 97,377 pesos in 1932 in spite of the fact that exchange charges added 274,667 pesos to the 1933 expenditures. The Cebu Portland Cement Company showed a net profit of 258,484 pesos in 1933 while the Philippine National Bank closed the year with a net profit of 3,153,759 pesos, of which 1,000,000 pesos was turned in to the Insular Treasurer and the balance added to surplus and reserve.

Provincial finance also showed an improvement during 1933. A survey of provincial finance at the beginning of the year had showed that at least 10 of the 49 provinces had overdrafts and others carried unpaid obligations from previous years. A careful watch was kept on provincial figures during the year by the financial adviser to the Governor-General, as a result of which 4 of the overdraft provinces cleaned up their deficits and 3 made substantial reductions. Conditions are not yet entirely satisfactory in a few of the provinces and plans for their rehabilitation in 1934 have been set up.

SIAM

(One baht = 1/11 of a pound sterling or on
June 11 = \$0.4597)

Profits Lower in 1933 (Assistant Trade Commissioner Carl H. Boehringer, Singapore, 4/7/34).

Most of the principal companies operating in Siam have shown reduced profits in 1933 as compared with the previous year, reflecting the depression through which the country is still passing. The largest Siamese company, the Siam Electric Corporation, reduced the dividend on its capital of 22,500,000 baht to 6 percent as compared with 7 percent in 1932. Profits were down more than £25,000, due chiefly to the fact that large power users, such as rice and sawmillers, are using less power, while shopkeepers, without sufficient business to warrant keeping open in the evening, are using less illumination.

(Over)

UNION OF SOVIET SOCIALIST REPUBLICS

(The new par of the chevronets is \$8.7127. There are
10 rubles to the chervonets.)

Gold Production Up (Samuel Montagu and Co., Weekly Review of Foreign Exchanges,
5/17/34).

Reports from Moscow indicate that the total production of gold in 1933 was 100,000,000 gold rubles, an increase of 142 percent compared with the 1932 production of 41,000,000. The Government is giving more attention to the production of gold and production for the first quarter of 1934 was 67 percent above that for the same period of 1933.

Grosvenor Jones, Chief,
Finance and Investment Division.

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DEPARTMENT OF COMMERCE
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FOREIGN FINANCIAL NEWS

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AUSTRALIA
(On June 27 one pound = \$4.0172)

Australian Banks' Deposits Increase and Advances Diminish in March Quarter
(Trade Commissioner E. C. Squire, Sydney, 5/15/34).

The most striking feature in the summary returns of 10 Australian trading banks for the quarterly date, March 31, 1934, compared with the showing on the corresponding date of the preceding year, was the increase in deposits, especially in those that did not bear interest. The amount of the latter at the close of the March 31 quarter was given as £102,391,848, or £12,331,983 in excess of their total on the corresponding date of 1933, and £8,066,671 more than on December 31, 1933.

Fixed, or time, deposits also increased, but to a slighter extent. They totaled £188,929,794 March 31, or £1,261,040 more than on the corresponding date in 1933, and £4,526,168 above their amount on December 31.

The increased deposits are attributed to the higher value of the past season's wool clip, compared with the preceding one. Current deposits have increased to a greater extent than interest-bearing deposits, it is thought, because the low rates offered on time deposits have not been considered attractive, but other good investments for available funds have been hard to find.

Advances on March 31 last were given as £235,181,378, thus exceeding by £2,775,948 their amount on the corresponding date of last year, and declining by £4,087,983, compared with their total December 31, 1933. The favorable results of wool sales and higher prices enabled growers to reduce their banking obligations in the first quarter of 1934. That movement is seasonal and is expected in the first quarter of the year. It is felt, though, that advances are at a rather low level compared with deposits, thus reflecting some difficulty in the employment of banking funds to advantage.

Australian Commonwealth Surplus Assured for 1933-34 (Trade Commissioner E. C. Squire, Sydney, 5/21/34)

Although all the constituent States in Australia showed financial deficits for the 10 months ended April 30, 1934, they were decidedly smaller in each case, except Tasmania and Victoria, than they were in the corresponding period of 1932-33.

For the 10 months the Commonwealth Government showed a surplus, and for the entire year it is now declared certain that revenues will exceed expenditures. That result has been reached, despite the budget forecast of a deficit estimated at £1,176,000, and a subsequent additional appropriation of £3,000,000 for the relief of wheat growers. Special taxation was also enacted to provide, in part, for the wheat growers' subsidy, but it proved quite inadequate. Even so, this additional expenditure and the expected deficit were more than covered by increased revenues from customs, excise, post office, estate duties and sales tax. The surplus for 10 months on April 30 was shown to have been £2,391,000, compared with £2,767,000 on the corresponding date of the preceding year.

Surplus of Australian Commonwealth and Deficits of States
during 10 months of Fiscal Year

(In thousands of Australian pounds)

	July 1932 - April 1933	July 1933 - April 1934	Budget deficit 1933-34
Commonwealth:			
Surplus	2,767	2,391	1,176 (deficit)
States, deficits:			
Victoria	2,747	3,111	700
New South Wales	2,820	1,448	3,790
Queensland	1,067	663	1,848
South Australia	1,147	947	933
West Australia	935	787	748
Tasmania	58	99	76

Australian Commonwealth and States' Short-term Debt (Trade Commissioner E. C. Squire, Sydney, 5/18/34).

On April 30, 1934, the total of short-term debt outstanding for the Commonwealth Government amounted to £10,220,000, and for the constituent States to £75,104,000, or, both combined, to £85,324,000. Of this latter amount, £33,624,000 was held in London and £51,700,000 in Australia.

Short Term Debt of Australian Commonwealth
and States, April 30, 1934

(In thousands of Australian pounds)

	Held in London	Held in Australia	Total outstanding
Commonwealth	10,220	---	10,220
States:			
Victoria	5,953	7,285	13,238
New South Wales	10,113	31,730	41,843
Queensland	---	450	450
South Australia	3,816	4,900	8,716
West Australia	3,031	6,825	7,856
Tasmania	491	510	1,001
Total	33,624	51,700	85,324

Australian Government Discontinues Sales Tax on Flour (Trade Commissioner E. C. Squire, Sydney, 5/14/34).

(Refer to Far Eastern Financial Notes No. 150, January 19, 1934, "Financing the Wheat Grower".)

The sales tax of £4 5s. per ton on flour, which the Commonwealth Government imposed late in November 1933, will not be levied after May 31, it has been announced. The revenue from this tax was expected to contribute more than 50 percent of the funds thought to be necessary for payment of the subsidy to wheat growers. However, its yield has been much less than it was estimated to bring in. Aside from that, the tax in question was unpopular with the consumers, since it was equivalent to a charge of one penny on a two-pound loaf of bread.

Two Australian Savings Banks Reduce Interest Rates on Deposits (Trade Commissioner E. C. Squire, Sydney, 5/28/34).

The Commonwealth Savings Bank of Australia and the State Savings Bank of Victoria have announced that, beginning June 1, the rates of interest they pay on deposits would be lowered by one-quarter of one percent. The revised rates made effective by the Commonwealth Bank are, respectively, $2\frac{1}{4}$ percent on balances not exceeding £500, and $1\frac{3}{4}$ percent on balances exceeding that amount but not over £1300. The State Bank's new rate is fixed at $2\frac{1}{4}$ percent on balances amounting to £1,000 or less.

This step follows a reduction of interest on time deposits for terms of not less than six months, which the trading, or commercial banks instituted in April.

Public Welfare Expenditures of Australian States (Trade Commissioner E. C. Squire, Sydney, 6/21/34).

Early in May 1934, the Commonwealth Statistician, in his testimony before the Grants Commission sitting at Canberra, gave the sum of £20,615,000 as the total expended in 1931-32 by the six Australian States for what were designated as "social services", including education, care for public health and the maintenance of law and order, but not unemployment relief. The total expenditures named were divided among the States as follows: New South Wales, £9,381,000; Victoria, £4,698,000; Queensland, £2,821,000; South Australia, £1,810,000; Western Australia, £1,308,000; Tasmania, £597,000.

BRITISH INDIA

(On June 27 one rupee = \$0.3786)

Announced 3½ percent Loan of Indian Government (Trade Commissioner C. E. Christopherson, Calcutta, 5/31/34).

In the Calcutta press of May 31 it was announced that the Government of India would receive subscriptions for a loan amounting to 320,000,000 rupees, bearing interest at 3½ percent, redeemable 1947-1950, and to be issued at Rs. 98-8-0, equivalent to a price of 98½ in decimal currency. Books were to open June 5 and close either on June 20, or before that date if the full amount, 320,000,000 rupees, should be taken in the meantime.

Subscribers may pay for the amounts they take either in cash or with Treasury bills, 4½ percent 1934 bonds, or 4 percent certificates of the 1934-1937 loan. Although, in the opinion of local banking authorities, most of the subscription payments would consist of 4½ percent bonds and 4 percent loan certificates, it was thought that enough cash would be secured by the offering to meet the Government's needs.

Restrictions on Silver Imports Cause Improvement in Bombay Market (Trade Commissioner C. E. Christopherson, Calcutta, 5/24/34).

There has been an improvement in the Bombay silver market following the prohibition laid on imports of the metal from Baluchistan. By treaty provisions silver has entered India from Persia free of duty. Weekly arrivals of from 500 to 1,000 bars have depressed the Bombay market. It was reported in the press that some of the silver, imported in large quantities duty free from Baluchistan, did not originate in that country, but came from London to be landed at Beirut and Bunder Abbas, whence it was shipped overland across the frontier to Persia.

An indirect attempt to impede the heavy movement of silver from Baluchistan had recently been made by reducing the duty on silver from other countries. That provision did not give the results desired. Accordingly, imports from Baluchistan have been prohibited.

CEYLON

(On June 27 one Indian rupee = \$0.3786)

Ceylon Banking Commission Appointed (Vice Consul Brockholst Livingston, Colombo, 4/27/34).

The three members of the Commission, which was proposed early in the year to investigate banking conditions in Ceylon, have been appointed. The chairman is Mr. Pochkhanawala, founder and managing director of the Central Bank of India, Limited, with its head office in Bombay.

The scope, or terms of reference, for the Commission's inquiry are defined as follows: "To inquire into and report upon the existing conditions of banking and credit in Ceylon and to consider the steps, if any, that are feasible in respect of the provision of banking and credit facilities for (a) agriculture, (b) industry, (c) trade, and also to make recommendations regarding the desirability of establishing a state-aided bank and sound local banks."

The Commission is expected to complete its work within six months. The State Council has appropriated 26,414 rupees for expenses. The chairman will receive 2,500 rupees as his monthly remuneration.

HONG KONG

(On June 27 one dollar = \$0.3719)

Five Months' Gold and Silver Imports and Exports (Consul General Douglas Jenkins, Hong Kong, 6/18/34).

In the first 5 months of 1934, exports of gold bars and ingots from Hong Kong amounted to Hong Kong dollars 34,563,000, of which nearly 80 percent, or HK\$26,926,000, went to the United States. Great Britain and Ireland took HK\$6,982,000, and the remainder, HK\$655,000, went to British Malaya.

During the same period, imports of gold bars and ingots totaled HK\$7,593,000, or only between one-fourth and one-fifth of exports. From Siam came gold bullion valued at HK\$4,838,000, from French Indo-China, HK\$2,299,000, and from British Malaya and Kwongchowwan, HK\$436,000.

Movements of silver bullion during the 5 months in and out of Hong Kong was of much smaller volume than were those of gold. Of 5 months' total exports of silver bars and ingots, HK\$ 2,345,000, the United States took HK\$1,208,000, Great Britain and Ireland, HK\$1,094,000, and the almost negligible remainder, HK\$43,000, went to Japan, French Indo-China and North China.

Imports of silver bars and ingots into Hong Kong for 5 months came to no more than HK\$1,172,000, of which HK\$1,027,000 originated in the United States, and HK\$145,000, in Kwongchowwan and Macao.

JAPAN

(On June 27 one yen = \$0.2981)

Bank Deposits Continue at High Level (Monetary Statistics, April 1934, published by Bank of Japan, and radio from Commercial Attache Frank S. Williams, Tokyo, 6/18/34).

All Japanese banks on April 30, 1934, showed total deposits of 12,068,343,000 yen, or slightly less than their amount, 12,080,815,000 yen, on March 31. However, they increased by about a hundred million in the month of May, according to a radio message from Tokyo. Loans outstanding declined from 10,424,873,000 yen on March 31 to 10,265,215,000 yen at the close of April. An increase in their total was reported by May 31, but, even so, they fell below total deposits by 1,831,000,000 yen, marking a new high record for that difference.

Higher Yields From Many Sources of Japanese Government Revenue (Commercial Attache Frank S. Williams, Tokyo, 6/2/34).

(With further reference to the article appearing in Far Eastern Financial Notes 160, June 19, 1934, and entitled "Government Revenues and Expenditures.")

The ordinary revenues of the Japanese Government, which amounted to 987,473,000 yen in the year ended March 31, 1934, owed their increase of 81,974,000 yen over the corresponding total in the preceding year to larger

yields in a number of items. Last year's income tax returns, 122,368,000 yen, were higher by 18,525,000 yen than the amount obtained the year before. The tax on sake brought in 159,099,000 yen, more than any other tax in 1933-34, and 24,144,000 in excess of the corresponding amount in the preceding year. Import duties furnished 102,766,000 yen, or 9,054,000 yen over the preceding year's collections. From the tax on business profits, 33,274,000 yen came in during 1933-34, thus registering an increase of 4,578,000 yen over 1932-33.

The general increase in taxes was slightly offset by lower yields under three main heads. Thus, the 60,544,000 yen provided by the consumption tax on sugar in 1933-34 meant a decline of 2,040,000 yen from the amount recorded in the preceding year's receipts. The inheritance tax brought in 14,728,000 yen, less by 3,314,000 yen than in 1932-33. In the past year, there was no revenue from the tax on banknote issues, against 13,831,000 yen secured the year before.

In addition to taxation, from which altogether the revenue totaled 598,814,000 yen in 1933-34, and exceeded the corresponding amount for the preceding year by 39,298,000 yen, higher revenues came to the Government from other sources. Receipts from postal, telegraph and telephone operation amounted to 245,720,000 yen, higher by 17,724,000 yen than this amount in 1932-33. Payments received from the Bank of Japan amounted in 1933-34 only to 27,073,000 yen, which, however, were larger by 15,424,000 yen than they were in 1932-33.

If business activity continues to grow at its present rate, ordinary revenues in 1934-35 should exceed those of the past fiscal year very considerably.

Banks in Osaka Show Larger Increase in Loans than in Deposits (Commercial Attache Frank S. Williams, Tokyo, 6/2/34).

For the week ended May 26, member banks of the Osaka clearing house reversed the comparative trend, which has been observed over a considerable period, of deposits to increase at a greater rate than loans. During the week in question, however, combined deposits in the Osaka banks amounted to 1,558,000,000 yen, an increase of 4,270,000 over the preceding week. Accompanying that there was a sharp rise of 22,354,000 yen in loans, which totaled 1,175,000,000 yen on May 26. The spread between deposits and loans, consequently, was less than 400,000,000 yen, on the date named. That difference was less than it had been for a good many weeks.

Tokyo Banks Show Record Deposits in Early June (Commercial Attache Frank S. Williams, Tokyo, 6/18/34).

The member banks of the Tokyo clearing house attained a new high record in the combined amount of their deposits, 2,421,000,000 yen, in the week ended June 2.

PERSIA

(The rial has a par value of \$0.4120)

Persia Reported Planning Adoption of Gold Standard (Minister William H. Hornibrook, Teheran, 5/1/34).

The Persian Government is reported to be seriously considering a plan to

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establish the gold standard, and also take measures to stabilize the currency and guard it against violent fluctuations which arise from external conditions beyond control within the country.

The Persian National Bank's decision to stabilize the rial at 82 to pound sterling has aroused Government support in the form of several modifications in existing monetary laws. The National Bank was authorized by the Majlis on April 21 to buy gold at prices that might seem expedient. In addition, the Bank has also been empowered to export, import and coin silver for its own account. Under this authorization numerous silver shipments have already gone to India. The Bank has also acquired considerable quantities of silver, holding part of those purchases in London and importing some of it to be minted.

The National Bank's efforts to peg the rial at 82 to the pound have forced the Imperial Bank of Persia and the Ottoman Bank to quote exchange at the same rate.

The exchange rate fixed, 82 to the pound, represents a devaluation in the sterling exchange value of the rial. It is hoped that the depreciation thus effected will relieve in some measure the economic distress of the country which has been aggravated by currency deflation.

PHILIPPINE ISLANDS

(One peso = \$0.50. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of two pesos for one dollar, charging $5/8$ percent premium for demand drafts and $1\ 1/8$ percent premium for telegraphic transfers.)

Proposed Central Bank in the Philippines (Radio from Acting Trade Commissioner Carl H. Boehringer, Manila, 6/16/34).

The Acting Secretary of Finance in the Philippine Government has recently advocated the establishment of a central bank. With that institution each of the 8 private banks would be required to deposit 700,000 pesos. The bank would require from 2 to 15 million pesos as subscribed capital. The provision of capital and management would be private, but Government control would be exercised.

It is not likely that the central bank will be founded in the near future. However, it is quite possible it will be set up later.

Manila Banks to Reduce Interest Rates on Current Account Deposits (Trade Commissioner Carl E. Boehringer, Manila, 6/21/34).

With ample cash resources on hand and restricted applications for credit extension, Manila banks on July 1 will reduce the annual rate of interest paid on deposits for current account from 2 percent to 1 percent. This lowered rate will not apply to savings accounts or time deposits.

The banks have taken the step noted because only a limited demand for loans on the part of industry and trade has been exercised. Moreover, the financing of the sugar crop has been completed.

STRAITS SETTLEMENTS

(On June 27 one Straits dollar = \$0.5900).

Favorable Results on Federated Malay States Budgets for 1933 and 1934 (Trade Commissioner Julian B. Foster, Singapore, 6/6/34).

In 1933 the actual government expenditures of the Federated Malay States were S\$50,258,671 and revenues S\$47,198,806. The former amount included the sum necessary to cover the deficit from railway operations, S\$2,039,910, against a budgeted deficit under that head of only S\$1,000,000. The resulting general deficit therefore comes to S\$3,059,865. That, however, was much less than the deficit which the 1933 budget forecasted, S\$10,437,648, with provisions for S\$44,083,825 in revenue and S\$54,521,473 in expenditures.

The 1934 budget estimates total revenues at S\$47,522,504, and total expenditures at S\$50,367,480, a deficit of S\$2,844,976 being anticipated. Operations results for the first three months of 1934 show a surplus. The increased yields of customs receipts and excise taxes have achieved that result. They, in turn, have arisen from higher prices abroad for rubber and tin.

The total public debt of the Federated Malay States on March 31, 1934, amounted to S\$96,185,714, consisting of S\$80,185,714 in sterling and the remainder, S\$16,000,000, in domestic loans. Sinking funds on March 31, 1934, amounted to S\$23,183,234.

Grosvenor M. Jones, Chief
Finance and Investment Division.

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BRITISH INDIA
(On July 11 one rupee = \$0.3788)

Progress of Subscriptions on Indian Government's 3½ Percent Loan
(Trade Commissioner C. E. Christopherson, Calcutta, 6/7/34)

On the Government 3½ percent loan amounting to 320,000,000 rupees and issued at 98½, which was announced May 31, the Controller of Currency stated on June 6, according to press reports, that subscriptions up to that date had amounted to 190,000,000 rupees.

The offer of this loan had no appreciable effect on the money market since the yield was closely adjusted to prevailing levels of interest rates.

(See Far Eastern Financial Notes No. 161, dated 7/5/34)

Indian Currency in Early June (Weekly Bullion Letter of Samuel Montagu and Co.,
London, 6/27/34)

In the first two weeks of June, 1934, there was little change in the various items officially taken to represent the status of Indian currency, as is shown by the following table.

Indian currency returns
(in hundreds of thousands, or lacs, of rupees)

	May 31, 1934	June 7, 1934	June 15, 1934
Notes in circulation	17,939	17,927	17,955
Bullion and coin in India			
Silver	9,631	9,617	9,585
Gold	4,155	4,155	4,155
Government securities:			
Indian	2,984	2,969	3,029
British	1,167	1,186	1,186

CHINA

(On July 11 one yuan = \$0.3398)

Shanghai Silver Stocks at end of May (Assistant Commercial Attache A. Bland
Calder, Shanghai, 6/5/34)

Silver stocks in Chinese and foreign banks in Shanghai on May 31 were estimated at 578,000,000 yuan, compared with 576,000,000 yuan on April 30, with 540,000,000 yuan at the end of 1933, and 443,000,000 yuan when 1932 closed.

The accumulation of silver stocks at Shanghai is attributed in part to the growing inclination of farmers in the interior to accept banknotes for their produce instead of insisting on payments in silver currency as in the past. The larger banks have made active efforts to promote the circulation of notes in place of silver. They have been led to do so by the disturbed condition of the country, which has made it costly and dangerous to transfer large amounts of silver to the interior from Shanghai and other cities, or in the reverse direction, in connection with crop financing. The Central Bank of China, particularly, has done much to accustom the general populace to the use of its notes, which are used to settle government accounts and to pay soldiers and civil servants.

Progress in Substitution of Manchukuo for Chinese Currency
(Vice Consul Andrew W. Edson, Mukden, 6/5/34)

On May 24, 1934, the Central Bank of Manchukuo announced that old notes to the value of 128,000,000 (Chinese) yuan had been replaced by an equivalent amount of Manchukuo yuan. Only about 10 percent of Chinese banknotes formerly in circulation were estimated to have been left unredeemed on that date.

The Central Bank is making active efforts to have all the old notes redeemed before June 30, 1934. For a limited period after date they can be used to pay taxes or may be exchanged for the new Manchukuo notes.

FEDERATED MALAY STATES

(On July 11 one Straits dollar = \$0.5900)

Proposed Classification of F. M. S. Loans as Trustee Securities in
United Kingdom (Trade Commissioner Julian B. Foster, Singapore, (5/12/34)

A bill has been introduced in the Federal Council of the Federated Malay States, which has been framed so as to make the loans of the States eligible for trustees' investments in the United Kingdom. If finally approved, the bill will be known and cited as the Government Trustee Securities Enactment, 1934.

In order to make the securities or "stock" of the Federated States qualify as a British trust investment, in conformity with the terms of the Colonial Stock Acts, 1877 to 1900, and subsequent amendments, the essential provision of the bill recites that

Whenever by the final judgment, decree, rule or order of any Court of competent jurisdiction in the United Kingdom any sum of money is adjudged or declared to be payable by the Government of the Federated Malay States in respect of any Government Se-

curities, the Government shall forthwith pay that sum out of the funds in the hands of the Crown Agents belonging to the Government, without further appropriation than this enactment.

For the purposes of this section, "final judgment, decree, rule or order", means, in the case of appeal, the final judgment, decree, rule or order of the ultimate court hearing the appeal.

FRENCH OCEANIA

(On July 11 one franc = \$0.0660)

Exchange Rates for Customs Purposes

(Vice Consul Edward B. Rand, Tahiti, 5/7/34)

(Refer to Far Eastern Financial Notes No. 157, May 5, 1934, "Exchange Rates Revised for Customs Purposes.")

A decree of April 20, 1934, changes the franc equivalent of the dollar for use in customs administration from 16.00, as established in decree of March 9, 1934, to 15.50.

The other principal exchange rates employed by the customs remain as fixed in the decree of March 9, namely, at 80.00 francs to the pound sterling, and at 64.00 francs to the Australian and New Zealand pounds.

JAPAN

(On July 11 one yen = \$0.2986)

Changes in Government's Financial Position, 1930 to 1934

(Commercial Attache Frank S. Williams, Tokyo, various dates)

A summary calculation is made at the conclusion of each fiscal year, ending March 31, to show the Government's "financial position", compared with the preceding year. In the calculation the net change in the amount of the national debt in the 12 months is combined with the increase or decrease in the accumulated budget surplus. Thus, the amount of the debt on March 31, 1934, excluding debt assumed for the account of railways and other industrial enterprises, was given as 6,776,771,000 yen, compared with 5,615,352,000 yen on March 31, 1933. The debt shows an increase of 1,161,419,000 yen during the fiscal year 1933-34. The accumulated budget surplus on March 31, 1934 was given as 32,008,000 yen, or 104,165,000 yen less than on March 31, 1933. The increase in the debt plus the shrinkage in the accumulated surplus indicates a decline of 1,265,584,000 yen in the strength of the Government's financial position during the fiscal year 1933-34.

Despite some offsets, produced by increases in the accumulated surplus during 1931-32 and 1932-33, the steady growth in the amount of the government debt has brought about a progressive decline in the financial position throughout the years extending from March 31, 1930 to March 31, 1934.

Available Banking Funds for Loans Plentiful at End of June (Commercial Attache Frank S. Williams, Tokyo, 6/25/34)

As the end of the calendar half-year approached late in June 1934 borrowing rates in the Japanese money market rose slightly. Nevertheless, funds available continued ample for all legitimate requirements. That was shown by the step taken by 24 class B banks in Tokyo in reducing interest rates on time deposits from 4.2 to 4 percent and on special current accounts from 2.55 to 2.19 percent per annum. The new rates became effective June 25, 1934. It was expected that banks in Yokohama would take similar action.

Conservative Policy in Bank Dividends (Commercial Attache Frank S. Williams, Tokyo, 6/9/34)

The Banking Bureau's report shows that, for the 6 months ended May 31, 1934, 30 banks reduced their dividends below those paid in the half-year ended November 30, 1933. It is believed that 50 banks altogether will be shown to have declared lower dividends, when complete returns have been made. This step has been advocated by the Finance Minister, who has held that banks should conserve a substantial part of their earnings instead of paying them out in high dividends to stockholders.

Tokyo Bank Statements Affected by Half-yearly Settlement (Radio from Commercial Attache Frank S. Williams, Tokyo, 7/9/34)

The combined statement of Tokyo clearing house banks for June 23, 1934, compared with that of June 16, showed declines in deposits, call and other loans, and cash on hand. The specially sharp fall in the amount of deposits was attributed to withdrawals of funds for making the half-yearly settlement on or about June 30.

Number of Japanese Banks Reduced Since 1929 (Commercial Attache Frank S. Williams, Tokyo, 6/9/34)

According to a statement issued June 4, 1934, by the Banking Bureau in the Finance Ministry, there were 500 commercial banks operating in Japan at the end of May 1934. That number represents a decrease of 783 since the end of 1927, largely as a result of the bank law which became effective January 1, 1928.

Japanese Life Insurance in 1933 (Oriental Economist, June 1934)

Life insurance in force with private companies in Japan on December 31, 1933, amounted to 9,692,467,000 yen, representing a net gain of 896,944,000 yen over the total, 8,795,523,000 yen, of outstanding policies on December 31, 1932. That was a considerably larger net increase for 1933 than in the preceding year.

New policies issued in 1933 amounted to 2,000,102,000 yen, compared with 1,596,232,000 yen in 1932, and with 1,566,449,000 yen in 1931. Increases in the amounts of policies already in force and arising from other causes than the issue of new policies in 1933 totaled 128,896,000 yen, against 141,727,000 yen in 1932, and 123,990,000 yen in 1931.

Reductions in the amounts of policies already issued amounted to 45,642,000 yen in 1933, compared with 53,477,000 yen in 1932, and with 50,145,000 yen in 1931.

Total investments, 466,770,000 yen, for 5 months of 1934, were considerably less than the corresponding total, 667,238,000 yen, recorded for 5 months of 1933. Included in that latter amount, were the capital investments of March 1933, amounting to 394,410,000 yen, which by themselves served to make the total for the initial 5 months of 1933 so large compared with the corresponding period of 1934, and still more greatly in excess of capital investments in corresponding periods of 1930, 1931 and 1932.

Of total investments, 281,365,000 yen, in corporations newly formed during the first 5 months of 1934, there were placed 65,800,000 yen in 13 new chemical companies, 45,000,000 yen in 21 mining corporations, 27,700,000 yen in 10 metal-working companies, and 15,000,000 yen in an electric power company.

Of the total amount of increased capitalization of existing companies, 87,255,000 yen, in the first 5 months of 1934, there were invested 24,045,000 yen in 2 electric power companies, and 22,000,000 yen in 9 chemical corporations. Of total corporate bond issues, 98,150,000 yen, in the first 5 months of 1934, 61,700,000 yen were put out by 5 companies in the railway and street railway group, 21,000,000 yen by 3 electric power companies, and 12,000,000 yen by 2 chemical corporations.

Capital Investments by Sections of the Empire

As might be supposed, most of the total new investments, 466,770,000 yen, in the first 5 months of 1934, were placed in Japan proper, where 359,185,000 yen were invested. In Chosen investments for the 5 months in question amounted to 23,835,000 yen, in Taiwan to 1,100,000 yen, and in Southern Manchuria to 82,650,000 yen. However, in the corresponding 5 months of 1933, Southern Manchuria had a much larger total of corporate investment, 408,050,000 yen, than the amount, 250,888,000 yen, placed in Japan proper during the same period. Quite apparently, then, it was the heavy investment of capital in South Manchurian enterprises during the first 5 months of 1933 that made total investments for all Japan so much larger than that total for the corresponding 5 months of 1934.

Investments of Capital in Corporations for Main Sections of Japanese Empire

(thousands of Yen)

	January-May 1930	January-May 1931	January-May 1932	January-May 1933	January-May 1934
Japan proper	190,175	210,296	116,808	250,888	359,185
Chosen	12,620	3,620	3,075	8,000	23,835
Taiwan	2,750	300	1,150	300	1,100
Karafuto	1,300	325	---	---	---
South Manchuria	---	500	1,250	408,050	82,650
Total, all Japan	206,845	215,041	122,283	667,238	466,770

Available Banking Funds for Loans Plentiful at End of June (Commercial Attache Frank S. Williams, Tokyo, 6/25/34)

As the end of the calendar half-year approached late in June 1934 borrowing rates in the Japanese money market rose slightly. Nevertheless, funds available continued ample for all legitimate requirements. That was shown by the step taken by 24 class B banks in Tokyo in reducing interest rates on time deposits from 4.2 to 4 percent and on special current accounts from 2.55 to 2.19 percent per annum. The new rates became effective June 25, 1934. It was expected that banks in Yokohama would take similar action.

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Reductions in the amounts of policies already issued amounted to 45,642,000 yen in 1933, compared with 53,477,000 yen in 1932, and with 50,145,000 yen in 1931.

Life Insurance in Japan
(thousands of yen)

	1931	1932	1933
Policies in force, Dec. 31	8,319,658	8,795,523	9,692,467
New policies written	1,566,449	1,596,282	2,000,102
Increase in outstanding insurance other than through issue of new policies	123,990	141,727	128,896
Death claims paid	85,774	89,287	94,843
Policies matured	37,731	42,035	49,260
Policies cancelled	948,814	1,077,345	1,042,309
Reductions in face amounts of policies	50,145	53,477	45,642

Manchukuo-Japanese Agreement on Commercial and Financial Coordination
(Nichi Nichi, Tokyo, 6/10/34)

The governments of Japan and Manchukuo have entered into an agreement which should greatly simplify financial dealings between the two countries, and, particularly, should facilitate the formation of corporations, on the part of Japanese interests, to conduct business in Manchukuo.

One of the main points covered by the agreement is the insertion of a clause in the Manchukuo corporation law that will permit companies, having their capital stated and transactions recorded in gold standard currencies, to be established in Manchukuo.

The agreement also provides for revision of Manchukuo commercial law so as to make it very similar to the same branch of Japanese law.

Arrangements are contemplated to permit the circulation of Manchukuo currency in the leased territory of Kwantung.

It is thought that the new agreement should make it much easier for Japanese financiers and business men in general to set up companies in Manchukuo. Hitherto it has been necessary to form two distinct legal entities, one based on silver currency in conformity with Manchukuo legal requirements and the other with a gold basis to meet the terms of Japanese law.

Tokyo Electric Company Floats Loan in Easy Money Market (Radio from Commercial Attache Frank S. Williams, 7/12/34)

The Tokyo Electric Company is reported to have decided on the issuance early in July 1934 of a loan of 30,000,000 yen, bearing interest at $4\frac{1}{2}$ percent, and maturing in 10 years. Half of the proceeds will be used for the conversion of earlier loans, and half for the payment of obligations to foreign creditors.

For loans like the foregoing, conditions in the Japanese money market appear to be favorable, since interest rates in general are expected to rule at low levels.

Increased Dividends Paid in Japanese Industries (Statistics of Business Enterprises, Bank of Japan, May 1934)

The general improvement in business is indicated by announcements of numerous companies that they will pay higher dividends for the half-year ended May 31, 1934, than for the semi-annual period that closed November 30, 1933. In addition, several corporations, which have omitted dividends in the past few years, will resume paying them from earnings of the 6 months concluded May 31, 1934.

NETHERLAND EAST INDIES

(On July 11 one florin or guilder = \$0.6779)

Bank of Java's Note Circulation (Trade Commissioner Charles E. Brookhart, Batavia, 6/5/34, Bank's periodic statements and annual report for 1932-33)

In its statement for May 26, 1934, the Bank of Java shows circulation amounting to 185,402,715 florins, very close to the lowest record of recent years for that item, recorded in the statement for November 25, 1933, which showed a slightly smaller amount, 185,221,810 florins, of the Bank's notes in circulation. It is estimated that the actual amount of notes in the hands of the public is really 5,000,000 florins less than the amount shown in the weekly statements.

There is a tendency for the outstanding amount of banknotes in Java to increase in the early part of each month and to decline toward the end of the month. Some evidence of that trend is given by figures published in the Bank of Java's annual report for the year ended March 31, 1933. Maximum amounts of circulation in that year and each of the two preceding years of operation were reached on dates falling in the first half of the month. Minimum levels of circulation in each of the three years are recorded on dates falling in the second half of the month. Thus, in the year 1932-33, the largest amount of note circulation, 230,431,690 florins, was recorded on April 9, 1932, and the lowest for that year, 201,408,240 florins, on January 28, 1933. In the year 1931-32, the high level for Bank of Java note circulation, given as 250,610,045 florins, was reached May 9, 1931, and the minimum point for that year, 224,755,525 florins, on March 26, 1932. For the year 1930-31, the high point of circulation, 279,338,085 florins, was attained June 14, 1930, and the minimum level, 238,651,250 florins, on March 28, 1931.

Aside from indicating the tendency of the bank's circulation to reach high levels in the early part of a month and low levels in the later half of a month, the foregoing records of yearly maxima and minima also show the steadily declining trend of circulation totals from 1930 to 1933, inclusive. At the end of the year 1932-33 -- that is, on March 31, 1933 -- the circulation was given as having amounted to 217,094,675 florins, compared with 234,428,450 florins on the corresponding date of 1932.

Since July 1933, the Bank of Java's circulation has been shown in successive statements to have remained below 200,000,000 florins. That movement represents a continuation of the decline that has proceeded quite consistently, with only occasional interruptions, ever since the first half of the calendar year 1930.

Fractional Currency Restricted to Half-cent Coins (Commercial Attache Charles E. Brookhart, Batavia, 5/29/34)

Although proposals have been made to mint coins having the value of one-quarter of a cent (1/400 of a florin), they have not yet been adopted by the Government. Fractional currency circulation is still restricted to half-cent coins, for which an increasing demand has recently made itself felt.

PALESTINE

(One Palestine pound is equivalent to one pound sterling or
On July 11 = \$5.0392)

Note and Coin Circulation in Palestine End of April 1934 (Palestine Gazette, 5/10/34)

At the close of April 1934, the official record of currency notes outstanding in circulation amounted to £P.3,630,736, and coins in circulation to £P.423,928. Accordingly, the whole circulation totaled £P.4,054,664.

One pound notes had the largest number circulating, 1,531,036. Next came half-pound notes, of which there were outstanding 505,690. There were 239,713 notes of the 5-pound denomination. The circulation of 10-pound notes was made up of 57,344 pieces. Notes of higher denomination were few; on April 30, 1934, only 1,345 pieces, consisting of notes for 50 pounds, and of notes for 100 pounds, only 76 were in circulation.

At the end of April 1934, most of the metallic circulation consisted of silver to the amount of £P.361,000, divided among 1,850,000 coins of 100 mils valued at £P.185,000, and 3,520,000 coins of 50 mils valued at £P.176,000.

Nickel coins in circulation were valued at £P.58,800, in three denominations, including 980,000 coins of 20 mils valued at £P.19,600, as well as 2,330,000 coins of 10 mils valued at £P.23,300, and 3,180,000 coins of 5 mils valued at £P.15,900.

Bronze coins circulated in the amount of £P.4,128, of which £P.1,568 represented the value of 784,000 coins of 2 mils, and £P.2,560 the value of 2,560,000 coins of 1 mil.

PHILIPPINE ISLANDS

(One peso = 50 cents. Philippine currency is pegged to the U. S. dollar. The treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for one dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Four Months' Internal Revenue Collections in Manila (Trade Commissioner Carl E. Boehringer, Manila, 5/29/34)

During the first 4 months of 1934, internal revenue collections in Manila amounted to 7,930,237 pesos, representing an increase of 880,009,237 pesos, or more than 11.6 percent over the sum, 7,050,228, obtained from the same source in the corresponding period of 1933.

STRAITS SETTLEMENTS

(On July 11 one Straits dollar = \$0.5900)

Revenue from Taxation of Motor Vehicles in 1933 (Trade Commissioner Julian B. Foster, Singapore, 5/18/34)

In 1933 the taxation of motor vehicles yielded S\$1,999,363 in all of British Malaya. That compared with a rather larger revenue, S\$2,248,350, obtained in 1932, which in turn was somewhat less than the collections, S\$2,593,685, secured in 1931, and was appreciably below the sum, S\$3,133,675, brought in by motor vehicle taxes in 1930.

The uninterrupted decline in this class of revenue yield observed in British Malaya as a whole held good also for each of the three administrative sections -- the Straits Settlements, Federated Malay States and Unfederated Malay States -- throughout the 4 years, 1930 to 1933, inclusive.

Revenues collected from taxation on motor vehicles in British Malaya

	<u>1930</u> S\$	<u>1931</u> S\$	<u>1932</u> S\$	<u>1933</u> S\$
Straits Settlements	1,171,529	1,142,739	1,095,104	1,031,567
Federated Malay States	1,509,680	1,116,042	869,828	711,225
Unfederated Malay States	452,466	334,904	283,418	256,571
Total, British Malaya	3,133,675	2,593,685	2,248,350	1,999,363

Active Circulation of Government Currency Notes Increasing (Trade Commissioner Julian B. Foster, Singapore, 5/16/34)

The amount of Government currency notes in active circulation in the Straits Settlements increased quite steadily and appreciably in the 9 months following June 30, 1933, as was shown by statements for 3 subsequent quarterly dates up to March 31, 1934. The so-called "active" circulation is made up of the gross, or total outstanding, circulation, less the amounts held by the Treasuries of the Straits Settlements Colony, the Federated Malay States, and the Unfederated Malay States, and those held by banks. Net circulation includes the active circulation plus the bank holdings of currency.

Active currency circulation, which totaled S\$47,503,987 on June 30, 1933, increased to S\$50,400,940 on September 30, 1933, to S\$51,195,017 on December 31, 1933, and to S\$54,807,014 on March 30, 1934.

There was also an increase in gross circulation over the 9 months extending from June 30, 1933 to March 31, 1934. Net circulation declined slightly between June 30 and December 31, 1933, and then rose during the quarter that ended March 31, 1934.

Circulation of Government Currency Notes in the
Straits Settlements
(In thousands of Straits dollars)

<u>Date</u>	<u>Gross circulation</u>	<u>Net circulation</u>	<u>Active circulation</u>
June 30, 1933	66,908	66,574	49,504
September 30, 1933	66,734	66,556	50,401
December 31, 1933	66,964	66,259	51,195
March 31, 1934	67,622	66,945	54,807

TURKEY

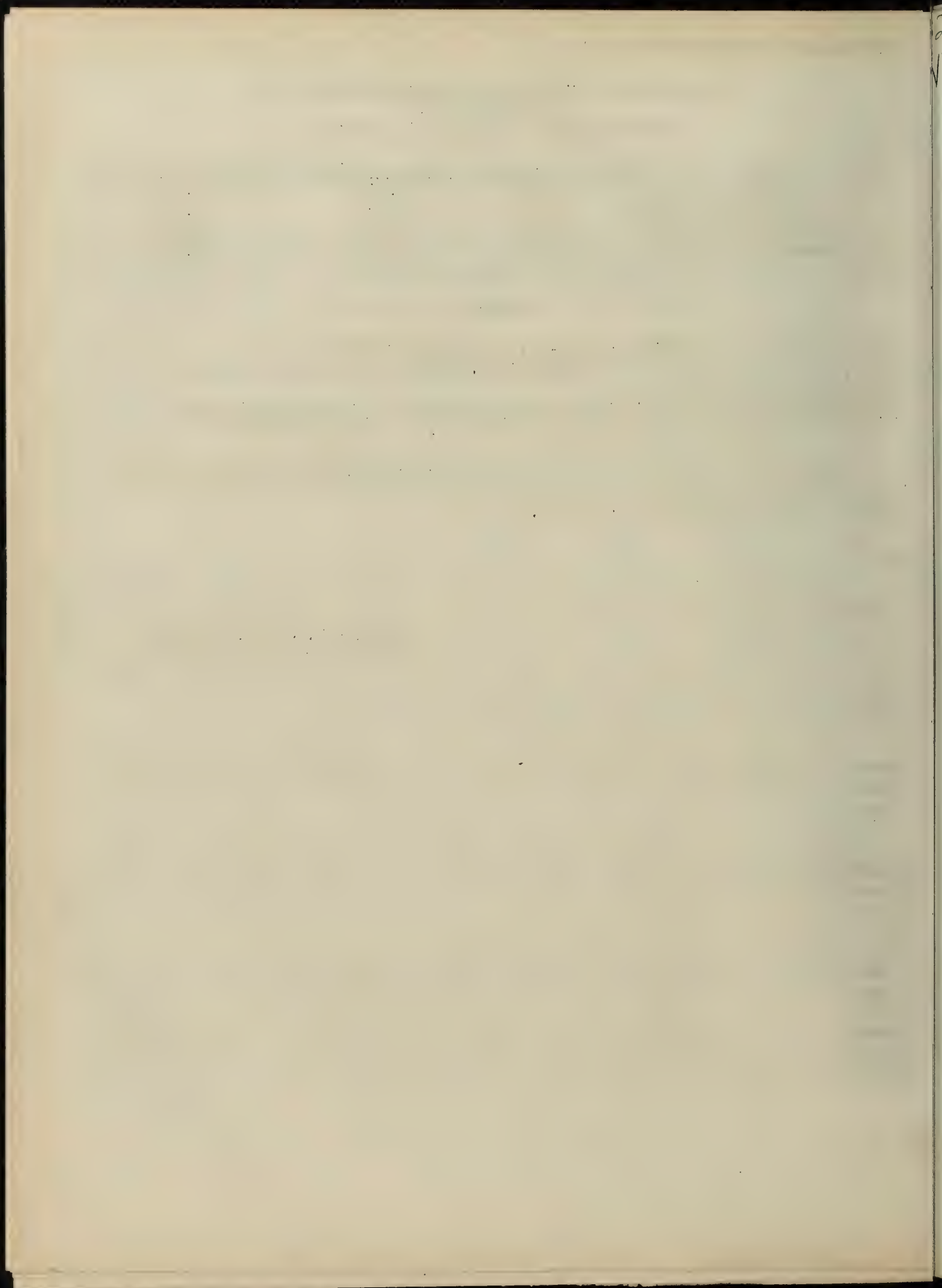
(One Turkish pound = 12.06 French francs or on
July 11 = \$0.7955)

Proposed Authorization of Turkish Central Bank to Buy Government Bonds
(Commercial Attache Julian E. Gillespie, Istanbul, 5/24/34)

A bill has been presented to the Turkish Grand National Assembly amending the statutes of the Central State Bank so as to permit that institution to purchase bonds issued by the Government.

Grosvenor M. Jones, Chief
Finance and Investment Division

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AUSTRALIA

(On July 25 one pound = \$4.0200)

Australian 1933-34 Budget Results for 11 Months (Trade Commissioner E. C. Squire, Sydney, 6/25/34)

In 11 months ended May 31, 1934, the six States of the Australian Commonwealth had combined deficits of £7,181,000, as compared with deficits of £8,675,000 for the 11 months ended May 31, 1933. The deficits in the budgets for the fiscal year ended June 30, 1934, were estimated at £8,096,000.

The Commonwealth Government budget showed a surplus of £2,625,000 in the 11 months ended May 31, 1934, against a surplus of £3,034,000 for the corresponding period of 1932-33, and an estimated deficit of £1,176,000 for the whole fiscal year.

After deducting the Commonwealth surplus from the State deficits, a net aggregate deficit of £4,556,000 is shown for the 11 months ended May 31, 1934, against £5,641,000 net deficit (State deficits and Commonwealth surplus) for the first 11 months of 1932-33.

The State of Victoria accumulated a deficit of £2,776,000 in the 11 months ended May 31, 1934, far in excess of the £700,000 estimated as the excess of its expenditures over revenues for the whole fiscal year. To a slighter extent Western Australia also had a deficit exceeding that forecast by the budget for the year which closed June 30, 1934. New South Wales and Queensland have kept their respective deficits well below the totals as estimated in their budgets for the fiscal year.

Surplus and Deficits of Australian Commonwealth Budget
and Budgets of Australian States

(In thousands of Australian pounds)

	Deficit 11 months July 1932- May 1933	Deficit 11 months July 1933- May 1934	Estimated deficit for year July 1933- June 1934
Commonwealth	3,034*	2,625*	1,176
State:			
Victoria	2,560	2,776	700
New South Wales	3,096	2,214	3,790
Queensland	839	462	1,848
South Australia	1,026	860	933
Western Australia	1,041	832	749
Tasmania	113	37	76
Total:			
State deficits	8,675	7,181	8,096
Commonwealth and State deficits	---	---	9,272
State deficits less Commonwealth surplus	5,641	4,556	---

*Surplus

Australian Commonwealth Budget 1934-35 (Trade Commissioner Wilson Flake,
Sydney, 7/25/34)

The budget for the year ending June 30, 1935, was presented on July 24, 1934 to the Commonwealth Parliament. Estimated revenues total £72,193,000, and provision is made for expenditures of £72,179,000. Those amounts compare with the actual totals for the fiscal year ended June 30, 1934, which were announced as £73,942,000 for total revenues and £72,640,000 for expenditures.

The income tax rate is left unchanged in the new budget, but a smaller yield from it is estimated. Some commodities, which include various building materials have been exempted from liability to the sales tax, from which the yield, consequently, is estimated as less by £220,000 than in 1933-34. The reduction of some primage duties are expected to bring down their yield by £400,000. The tax on radio listeners is lowered from 24 to 21 shillings, so that the smaller amount it will bring in, combined with reduced telephone charges, will effect a decrease in revenue estimated at £210,000.

Expenditures for the relief of wheat growers, which cost £3,045,000 in 1933-34, are eliminated from the 1934-35 budget. That saving, however, is largely offset by increased estimates for defense, invalid and old-age pensions, grants to the States, and the restoration, in part, of cuts in Government employees' pay.

Australian Internal Loans Oversubscribed in Two Days (Trade Commissioner E. C. Squire, Sydney, 6/5/34 and 6/7/34)

The Commonwealth Government on June 5, 1934, offered for public subscription at 98½ an internal 3½ percent loan of £12,000,000, repayable October 15, 1948,

The subscription was announced to close not later than June 18, but by noon of June 6, the day following the opening of the books, applications had reached £20,000,000.

From the proceeds of the loan, £8,500,000 will be taken for public works in the States. The remainder will go toward the redemption of outstanding Treasury bills.

Presumably individual applications for amounts of £5,000 or less will be accepted in full. Those for more than £5,000, in view of heavy oversubscriptions, will be filled on a pro rata basis. Bids for considerable amounts were received from insurance companies, such as one for £1,500,000 from the Mutual Life and Citizens' Assurance Co., Ltd., and one for £750,000 from the Australian Mutual Provident Society.

Interest is payable April 15 and October 15. Interest payments will be exempt from State income tax, and will be subject to Commonwealth income tax only, to the same extent as interest on new securities mentioned in section 20 of the Commonwealth Debt Conversion Act of 1931. Securities of the loan are authorized trustee investments under the Trustees Act of the individual States. They will also be accepted at par in payment of the Commonwealth estate duty.

The readiness with which this loan was taken up by the public and by investment institutions, is indicative of the high credit the Government now enjoys, and serves to show the dearth of attractive investments in the Australian market.

Arrangements to Meet State Budget Deficits for 1934-35 (Trade Commissioner E. C. Squire, Sydney, 6/26/34)

At the meeting of the Loan Council on June 23, one of the chief questions discussed was the financing of the budget deficits of the six States for the fiscal year ending June 30, 1935, which have been estimated at £7,250,000. The Commonwealth Government proposes to contribute £500,000, leaving £6,750,000 to be distributed as follows: New South Wales, 3,250,000; Victoria, 700,000; Queensland, 1,200,000; South Australia, 850,000; West Australia, 720,000; Tasmania, 30,000.

It was hoped that the Commonwealth Bank would provide the necessary means to finance these deficits. However, that institution would agree to provide only £5,880,000, to be distributed as follows: New South Wales, 2,910,000; Victoria, 480,000; Queensland, 1,050,000; South Australia, 770,000; West Australia, 650,000; Tasmania, 20,000.

Financial Program for Public Works Loan (Trade Commissioner E. C. Squire, Sydney, 6/26/34)

The Loan Council on June 23, 1934, drew up plans for the loan works program for 1934-35. The program calls for total expenditures of £22,643,000, to be distributed among the States and financed in accordance with the following outline.

Australian Loan Works Program, 1934-35
(In thousands of pounds)

	Amount from private borrowing	From Loan Council	Total to be spent
Commonwealth	----	750	750
State:			
New South Wales	----	10,000	10,000
Victoria	90	2,737	3,827
Queensland	800	2,600	3,400
South Australia	----	1,700	1,700
West Australia	100	2,970	3,070
Tasmania	65	831	896
Total	1,055	21,588	22,643

BRITISH INDIA

(On July 25 one rupee = \$0.3790)

Subscriptions Close on Indian Government's $3\frac{1}{2}$ Percent Loan (Trade Commissioner
C. E. Christopherson, Calcutta, 6/28/34)

Subscriptions to the $3\frac{1}{2}$ percent loan for 320,000,000 rupees, which was announced May 31, 1934, closed June 20 and were found to total 251,200,000 rupees. Of that amount, cash and Treasury bills made up 62,100,000 rupees; the remainder consisted of accepted securities, 47,200,000 rupees in $4\frac{1}{2}$ percent 1934 bonds and 141,900,000 rupees in securities of the 4 percent 1934-37 loan.

Although the amount taken by subscription came to only $78\frac{1}{2}$ percent of the total offered, the result was considered quite successful, since the sum obtained was more than enough to meet the Government's needs. Those needs included 190,000,000 rupees to take up the 4 percent 1934-37 loan. Provision had already been made in the budget for repayment of the $4\frac{1}{2}$ percent 1934 bonds to the amount of 130,000,000 rupees, which will mature the middle of September 1934. Opinion is expressed, though, that Treasury bills will have to be sold in the near future, since the total subscriptions fell short of the whole amount offered.

(See Far Eastern Financial Notes No. 161, dated 7/5/34; and No. 162, dated 7/19/34.)

Anomalies of Indian Interest Rates (Financial News, Bombay, 6/16/34)

For a long time, it is pointed out, the Imperial Bank's discount rate has stood unchanged at $3\frac{1}{2}$ percent. The prevailing rate of yield on gilt-edge securities is declared to be only slightly higher. The spread between the two rates is narrower, apparently, in India, or in Bombay at least, than in any other market studied. The smallness of that spread means either that the Bank rate, $3\frac{1}{2}$ percent, is unduly high, or that the prices of high-grade securities have been raised to levels which strictly monetary conditions have not justified. It is pointed out that there is little commercial demand for money in the face of the $3\frac{1}{2}$ percent rate, indicating that it has been kept at a level out of line with market conditions.

Indian Currency Reserves (Pixley and Abell's Circular, London, 7/11/34)

The Indian currency returns on June 29, 1934, compared with the corresponding date in 1933 and on December 31, 1933, is shown in the following table:

Indian Currency Returns
(In hundreds of thousands, or lacs, of rupees)

	June 29, 1933	Dec. 31, 1933	June 29, 1934
Reserve in bullion and coin:			
Silver	10,344	10,123	9,716
Gold	2,907	3,051	4,155
Government securities:			
Indian	4,406	4,637	3,018
British	---	---	1,198
Total	17,657	17,811	18,087

Discrepancy in Bombay and Calcutta Interest Rates (Trade Commissioner C. E. Christopherson, Calcutta, 6/21/34)

Wide differences are observed in the interest rates ruling in Bombay and Calcutta respectively. Early in June 1934, Calcutta lenders found it hard to put out call money offered as low as three-fourths of 1 percent. At the same time, the rate in Bombay went as high as $4\frac{1}{2}$ percent, but finally closed June 16 at $2\frac{1}{2}$ percent.

India's Gold Shipments to Great Britain Since September, 1931 (Samuel Montagu & Co.'s Weekly Review of Foreign Exchanges, London, 6/28/34)

Up to June 28, 1934, gold shipments to London from India since September 1931, the month in which Great Britain abandoned the gold standard, amounted to £145,833,000. Six steamers, due to arrive at British ports on various dates between June 29 and July 30, 1934, were reported to be bringing £1,807,000 in gold from India.

CHINA

(On July 25 one yuan = \$0.3373)

Large Oversubscription to Shanghai Municipal 5 Percent Loan (Finance & Commerce, Shanghai, 5/30/34 and 6/6/34)

On May 31, 1934, the Shanghai Municipal Council offered for public subscription a loan of 7,000,000 yuan, bearing interest at 5 percent, at the issue price $102\frac{1}{2}$. It was expected that subscriptions would be heavy, and they actually amounted to more than 26,000,000 yuan. Dates for interest payments are set at June 30 and December 31 of each year, with the first payment falling on December 31, 1934. The loan will be redeemed at par, by operation of a sinking fund, on December 31, 1964. At the option of the Council it may be redeemed in whole or in part on December 31, 1944, or at any subsequent date up to 1964 on 6 months' notice. Accordingly, at the issue price, $102\frac{1}{2}$, the yield will amount to 4.8 percent if redemption is put off until the latest date, December 31, 1964, or to slightly more than $4\frac{1}{2}$ percent based on the earliest possible redemption date, December 31, 1944.

Subscriptions offered by banks were particularly large. One institution is understood to have bid for the whole issue. Because total bids far exceeded the amount of the issue, pro rata allotments were made to applicants. However, the few subscribers, reported to number no more than six, for amounts of less than 1,000 yuan each received allotments ranging from $22\frac{1}{2}$ to 50 percent.

The loan was not underwritten. The expense of floating it was small. Consequently, the Council obtained through the issue practically the whole face amount, 7,000,000 yuan, plus the $2\frac{1}{2}$ percent premium in the offering price, 175,000 yuan.

A striking feature was the participation of Chinese banking interests, which usually do not concern themselves much with such offerings. It is estimated that their applications totaled more than 50 percent of the total amount issued, 7,000,000 yuan.

Chinese Budget for 1934-35 (Radio from Acting Commercial Attache A. Bland Calder, Shanghai, 7/26/34)

In the budget of the Central Government for the fiscal year ending June 30, 1935, revenues are estimated at 777,000,000 yuan and expenditures at the same figure. The estimated yields of the chief sources of revenue, in millions of yuan, are as follows: Customs, 360; Salt Gabell, 190; Consolidated tax (replacing several other minor taxes hitherto levied), 117. The two principal classes of expenditures, in millions of yuan are military, 308; loan services, 258 (including 88 for foreign loans and indemnities).

Estimated Expenditures of Provincial Governments (Monthly Bulletin on Economic China, Tientsin, June 1934)

Mr. C. M. Chang gives the amounts of estimated expenditures incurred by 20 provincial governments, totaling 343,519,230 yuan in the fiscal year 1931-32, which were taken from a publication of the Directorate-General at Nanking, "Estimates of Local Revenues and Expenditures of the Twentieth Fiscal Year of the Republic of China." That total was shown to be divided among the various Provinces, in the respective amounts given in thousands of yuan, with the percentages of the total named in parentheses, as follows: Kwangtung, 43,195 (12.6); Hopei, 33,223 (9.7); Fukien, 30,839 (9.0); Hupei, 28,007 (8.2); Kiangsu, 26,176 (7.6); Chekiang, 25,195 (7.3); Shantung, 24,575 (7.1); Shensi, 20,781 (6.0); Honan, 17,849 (5.2); Shansi, 17,766 (5.2); Hunan, 17,124 (5.0); Anhwei, 15,586 (4.5); Kwangsi, 11,016 (3.2); Sinkiang, 8,947 (2.6); Kweichow, 8,926 (2.6); Yunan, 5,431 (1.6); Ninghsia, 3,261 (0.9); Jehol, 2,360 (0.7); Chahar, 2,348 (0.7); Tsinghai, 914 (0.3).

By governmental functions and activities, estimated total expenditures, 343,519,230 yuan in 1931-32, were apportioned, in thousands of yuan with percentages of the total shown in parentheses, as follows: debt charges, 63,495 (18.5); reconstruction, communication, regulation of industry, etc., 54,952 (16.0); police and defense, 50,344 (14.7); general administration, 48,966 (14.2); education and culture, 39,450 (11.5); judicial administration, 21,061 (6.1); financial administration, 19,620 (5.7); grants in aid, 17,677 (5.2); party affairs, 8,005 (2.3); Government business enterprises, 5,567 (1.6); public health, 710 (0.2); charities and relief, 351 (0.1); miscellaneous, 13,321 (3.9).

Present Status of Greater Shanghai Municipality 7 Percent Loan (Finance and Commerce, Shanghai, 6/6/34)

In connection with the recent issue of the 5 percent loan of the Shanghai Municipal Council, attention has been drawn to the 6,000,000 -yuan loan of the Municipality of Greater Shanghai, which was put out in December 1932 at 7 percent. The issue price was 85. The term ran for 20 years, with redemptions by semiannual drawings which commenced in June 1933. The primary security for this loan was based on the wharfage dues payable to the City Government of Greater Shanghai. Those dues, by the terms of the loan's issue, are to be collected by the Shanghai Commissioner of Customs and paid every quarter to the Hong Kong & Shanghai Banking Corporation. If the proceeds of wharfage dues should not suffice to meet the requirements for service on the loan, the Inspector General of Customs is under irrevocable instructions from the Finance Minister to make up the deficiency from the customs revenue.

The Greater Shanghai loan of 1932 was underwritten. At the issue price, 85, it was oversubscribed. Subscribers at that price obtain a yield exceeding 8 percent on their investment. Moreover, the price had advanced since the issue and has been reported to be better than 103 at the latest quotations.

Shanghai Silver Stocks June 30, 1934 (Samuel Montagu and Co.'s Weekly Bullion Letter, London, 7/4/34)

Silver stocks in Shanghai on June 30, 1934 were made up of 115,700,000 ounces in sycee, 384,000,000 yuan 1/ and 31,000,000 ounces in bar silver, as compared with stocks on June 23 of around 115,500,000 ounces in sycee, 382,000,000 yuan 1/ and 30,200,000 ounces in bar silver.

At various dates during the year ended June 30, 1934, Shanghai stocks were constituted as follows:

	Ounces in sycee	Yuan <u>1/</u>	Number of bars
June 24, 1933 <u>2/</u>	127,700,000	270,000,000	6,480
July 4, 1933 <u>2/</u>	126,200,000	272,500,000	6,300
December 30, 1933	158,700,000	345,000,000	11,540
			<u>Ounces</u>
March 31, 1934	138,400,000	364,000,000	19,800,000
June 30, 1934	115,700,000	384,000,000	30,200,000

1/ The Montagu letter uses the term "dollar".

2/ No records for the precise date, June 30, 1933, given in the Montagu Bullion Letter.

Greater Shanghai Municipality Loan Oversubscribed (Radio from Assistant Commercial Attache A. Bland Calder, Shanghai, 7/19/34)

A loan of 3,500,000 yuan, bearing interest at 7 percent and running for a term of 12 years, drew subscriptions of 10 times its amount. Payment is secured by the motor-car taxes. The announced purpose of the issue is to provide funds for roads and bridges, as well as for a museum, library, and slaughterhouse.

EGYPT

(One pound Egyptian = 1.01572 times one pound sterling
or one July 25 = \$5.1197)

Egyptian Budget Results for Three Quarters of 1933-34 (Journal Officiel, No. 52,
6/18/34)

For 9 months ended January 31, 1934, of the fiscal year which closed April 30, 1934, the revenues of the Egyptian Government amounted to LE.24,555,442, compared with LE.28,954,858 for the corresponding period of the year 1932-33. Nine months' expenditures up to January 31, 1934, totaled LE.22,289,476, against LE.25,211,362 in the corresponding three-quarters of 1932-33. The surplus of receipts over expenditures, therefore, in 9 months ended January 31, 1934, amounted to LE.2,265,966, compared with LE.3,743,496 secured in the corresponding period of 1932-33.

Revenues

By far the most important sources of Government income (named in the order of their respective yields in 9 months of 1933-34) were the land tax, customs receipts, and tobacco dues. In 9 months ended January 31, 1934, the land tax brought in LE.5,397,995, compared with a yield of LE.4,908,414 in the corresponding period of 1932-33. Customs collections, amounting to LE.5,356,129 in 9 months ended January 31, 1934, differed little from their total, LE.5,493,450, in the corresponding period of 1932-33. Tobacco dues provided revenue to the extent of LE.3,718,247 in 9 months ended January 31, 1934, very close to the amount of their yield, LE.3,763,198 in the corresponding period of 1932-33.

The pronounced decline in revenues for 9 months of 1933-34, compared with those secured in the 9 months ended January 31, 1933, arose largely from the omission of railway receipts in the account of receipts for the 9 months that closed January 31, 1934. Those receipts, to the amount of LE.3,520,295, were included in the total revenues for 9 months of 1932-33. A less important factor in the diminution of revenues for the 9 months ended January 31, 1934, was made up of smaller yields from miscellaneous receipts and dues; among them no single item was of much consequence, but all together their lessened amount served to bring about a considerable fall in revenue for 9 months of 1933-34, compared with what they brought in during the 9 months ended January 31, 1933.

Revenues of Egyptian Government
(In thousands of Egyptian pounds)

<u>Source of Revenue</u>	<u>Nine months May 1932-Jan.1933</u>	<u>Nine months May 1933-Jan.1934</u>	
Land tax	4,908	5,398	
Customs	5,493	5,356	
Tobacco dues	3,763	3,718	
Railways	3,520	----	
Judicial and registration fees	1,582	1,333	
Excise	564	1,085	
Interest on funds	1,038	959	
House tax	808	766	
Stamp duty	798	707	
Cotton tax	391	647	
Post office	511	530	
Miscellaneous revenue	5,579	4,056	
Total revenues	28,955	24,555	5242

Expenditures

For the 9 months ended January 31, 1934, compared with the corresponding period of 1932-33, expenditures were brought down very appreciably, although not to the same extent as revenues. The decrease was due largely to the elimination of disbursements on railways, which have been eliminated from the 1933-34 account, but amounted to £E.2,588,134 in the 9 months that closed January 31, 1933.

The leading items in disbursements are the service on public debts, irrigation, conducted by the Ministry of Public Works, expenditures by the Finance Ministry on the collection and administration of revenues, and education. Under the last head is considered what may be taken as strictly the amounts spent on education, but not the total expenditures incurred by the Ministry of Education, which include the amounts spent on caring for antiquities and the upkeep of the Arabic and Coptic museums.

Of somewhat slighter importance than the classes of expenditures just named are those incurred for pensions and indemnities, Ministry of War and Marine, and the Ministry of Justice. The latter ministry's expenditures are devoted almost entirely to administration of judicial affairs and the operation of various courts; prisons, also police, are administered by the Ministry of the Interior.

Expenditures of Egyptian Government

(In thousands of Egyptian pounds)

<u>Expenditure Object or Department</u>	Nine months	Nine months
	<u>May 1932-Jan.1933</u>	<u>May 1933-Jan.1934</u>
Public-debt service	3,392	3,259
Irrigation	2,588	2,905
Finance Ministry	2,259	2,385
Education	2,198	2,272
Pensions and indemnities	1,436	1,420
Ministry of War and Marine	1,257	1,263
Ministry of Justice	1,233	1,217
Police	988	1,000
Civil list and Royal household	443	440
Railways	2,588	---
Other expenditures	6,829	6,128
Total expenditures	25,211	22,289

Condition of Government Debt on January 31, 1934 (Trade Commissioner Charles
Dickerson, Cairo, 6/19/34)

On January 31, 1934 the total amount of the Government's funded debt was given in the Journal Officiel No. 52, of June 18, 1934, as £89,065,240. Of that amount, the Government and the Debt Commission held £15,139,252. Three issues made up the total. The 3 percent Guaranteed Debt amounted to £3,180,000; the total 3½ percent Privileged Debt, £30,633,980; and the 4 percent Unified Debt, £55,250,460. The Government and the Debt Commission held £5,320,572 of the 3½ percent debt and £9,818,680 of the 4 percent debt. (All amounts are in pounds sterling)

HONG KONG

(On July 25 one dollar = \$0.3734)

Oversubscription to Government Loan (Consul Louis H. Gourley, Hong Kong,
Radio via Shanghai, 7/14/34)

A Government loan, amounting to HK\$5,000,000 and bearing interest at $3\frac{1}{2}$ percent, was heavily oversubscribed.

Hong Kong's Foreign Trade in Gold and Silver (Consul Louis H. Gourley, Hong Kong,
Radio via Shanghai, 7/14/34)

During the first 6 months of 1934 there were recorded no imports of gold coin into Hong Kong, but exports amounted to HK\$473,000, of which HK\$352,000 went to British Malaya and HK\$111,000 to Great Britain. Hong Kong's imports of gold bars and ingots were valued at HK\$9,340,000, of which Siam contributed HK\$6,125,000, French Indo-China HK\$2,671,000, and British Malaya and Kwongchowwan the remaining HK\$544,000. Exports of gold bars and ingots amounted to HK\$41,950,000, of which HK\$34,313,000 were destined for the United States, HK\$6,982,000 for Great Britain, and the remaining HK\$655,000 for British Malaya.

In the first half of 1934, Hong Kong's imports of silver coin, amounting to HK\$4,964,000, came practically all from China, India, Kwongchowwan, and Macao, while exports of silver coin, totaling HK\$2,770,000, went mostly to China. Silver bars and ingots, valued at HK\$2,205,000, were imported into Hong Kong, of which HK\$1,027,000 originated in the United States, HK\$1,000,000 in North China, and the remaining HK\$178,000 in Kwongchowwan and Macao. Exports of silver bars and ingots amounted to HK\$2,927,000, the United States taking HK\$1,676,000, and Great Britain HK\$1,208,000. The remaining HK\$43,000 went to Japan, French Indo-China, and North China.

Bank-Note Circulation and Reserves in May 1934 (Consul General Douglas Jenkins,
Hong Kong, 6/11/34)

The average amounts of bank notes in circulation and of specie reserves held during May 1934 by the three issue banks in Hong Kong were reported as follows:

Banknote Circulation and Reserves in Hong Kong.

Averages for May 1934

(In thousands of Hong Kong dollars)

	Banknote circulation	Specie reserves
Hong Kong & Shanghai Banking Corporation	154,964	1/ 140,000
Chartered Bank of India, Australia and China	16,152	2/ 8,300
Mercantile Bank of India, Ltd.	1,240	3/ 1,350
Total	172,356	149,650

- 1/ In addition, securities deposited with Crown agents and Straits Government, valued at £3,284,000.
- 2/ In addition, sterling securities deposited with Crown agents, valued at £744,100.
- 3/ In addition, securities deposited with Crown agents, valued at £190,000.

JAPAN

(On July 25 one yen = \$0.2987)

Japanese Public Debt Outstanding June 30, 1934 (Radio from Commercial Attache
Frank S. Williams, Tokyo, 7/16/34)

The outstanding funded public debt of the Japanese Government on June 30, 1934, amounted to 8,145,000,000 yen, of which internal loans made up 6,730,000,000 yen and foreign obligations came to 1,415,000,000 yen. In addition, there were outstanding 110,000,000 yen in Treasury bills and 580,000,000 yen in rice-purchase notes. Those sums compared with corresponding amounts at earlier dates as follows:

<u>Outstanding Japanese public debt</u> (In millions of yen)			
	<u>June 30,</u> <u>1933</u>	<u>December 31,</u> <u>1933</u>	<u>June 30,</u> <u>1934</u>
Internal debt	5,681	6,400	6,730
External debt	<u>1,390</u>	<u>1,421</u>	<u>1,415</u>
Total funded debt	7,071	7,821	8,145
Treasury bills	210	----	110
Government rice-purchase notes	291	311	580

Finance Ministry to Control Banks More Strictly (Chugai Shogyo Shimpo, Tokyo,
6/24/34)

The Japanese Finance Ministry has decided to exercise stricter control and supervision over banks that show any evidence of weakness. A first step in that direction was to discourage the payment of increased dividends and to have numerous banks pay lower dividends in the first half of 1934 than they had distributed in 1933. It has been announced that banks in apparently weakened condition will be required to make monthly reports on their standing. If institutions do not follow official recommendations to overcome defects in their condition, the authorities will move more vigorously to bring about improvement.

Japanese Banks Conform to Conservative Dividend Policy (Radio from Commercial
Attache Frank S. Williams, Tokyo, 7/16/34)

The announced policy of the Finance Ministry to have surplus bank earnings conserved instead of paid out in high dividends, has apparently been followed by the majority of Japanese banks. Out of 360 banks reported as having paid dividends in the half-year ended June 30, 1934, only one declared a higher rate than in the preceding 6 months. Reduced dividends were paid by 110 banks.

Japanese Issue of 200,000,000 Yen Treasury Bills (Radio from Commercial Attache
Frank S. Williams, Tokyo, 7/16/34)

On July 14, 1934, the Japanese Government put out an issue of 4 percent bonds amounting to 200,000,000 yen, which was underwritten entirely by the Bank of Japan. The price was announced as 98½, and the maturity as 1960. From the proceeds, 100,000,000 yen will be employed for expenditures in Manchukuo, 81,000,000 yen will go to finance the budget deficit, 6,600,000 yen will be used for roadbuilding, and 12,300,000 yen will serve to repair the damages from earthquake and fire in the past.

Leading Items in Bank of Japan Statement June 30, 1934 (Samuel Montagu and Co.'s
Weekly Review of Foreign Exchanges, London, 7/5/34)

On June 30, 1934, four principal items in the Bank of Japan's statement were reported in millions of yen, with comparative amounts on the corresponding date of 1933 shown in parentheses, as follows: note issues, 1,294 (1,269); discounts and advances, 702 (758); government deposits, 67 (61); bankers' deposits, 122 (114).

Many Securities Issues in June and July (Radio from Commercial Attache Frank S.
Williams, Tokyo, 7/9/34)

Numerous large issues of securities have been put out at interest rates around $4\frac{1}{2}$ percent by the Municipality of Tokyo, as well as by the Tokyo Electric Light, Nippon Electric Power, and Oji Paper companies.

NETHERLAND EAST INDIES

(On July 25 one florin or guilder = \$0.6766)

Bank of Java's Discount Rate Unchanged for 10 Months (Trade Commissioner Charles
E. Brookhart, Batavia, 6/15/34)

With some slight variations applying to different classes of paper acceptable for negotiation, the Bank of Java's basic discount rate was quoted at $4\frac{1}{2}$ percent on June 15, 1934. It had remained unchanged at that level over a period of 10 months, or ever since August 16, 1933. (A radio message received July 23, 1934, from Trade Commissioner Brookhart states that the Bank of Java's discount rate had lately been reduced to 4 percent.)

PALESTINE

(One Palestine pound = one pound sterling,
or on July 25 = \$5.0405)

Palestine Budget for 1934-35 (Vice Consul Joseph L. Brent, Jerusalem, 6/19/34
and 6/26/34)

For the year ending March 31, 1935, the budget estimates expenditures at LP.3,250,000 and revenues at LP.3,483,000. The estimated excess of receipts over disbursements, LP.233,000, if it is actually attained, will be added to the accumulated surplus, which amounted to LP.2,204,666 on March 31, 1934.

Expenditures

Budgeted expenditures for 1934-35 are distributed under main heads (in thousands of Palestine pounds) as follows: Police and prisons 520, public works 261, education 206, posts and telegraphs 195, trans-Jordan frontier force 176, defense 169, public health 162, customs, excise, and trade 160, agriculture and forests 150, public debt and loan charges 127, district administration 126, judiciary 96, survey department 69, secretariat 26, department of immigration 25, High Commissioner 11, other expenditures 771.

Estimated expenditures for 1934-35 exceed those incurred during 1933-34 by approximately LP.500,000. Departmental disbursements in 1934-35 are estimated at a total of LP.2,767,097, compared with LP.2,440,500 in 1933-34. The chief departmental increases in 1934-35 over expenditures in the preceding fiscal year are given (in Palestine pounds) as follows: Customs, 65,000; agriculture, 24,000; district administration, 31,000; education, 26,000; public health, 28,000; posts and telegraphs, 32,000; defense, 48,500; police and prisons, 30,400.

Revenues

Revenues for 1934-35 are estimated at £P.3,483,000, as compared with estimated revenues of £P.2,860,000 and actual revenues of £P.3,715,000 in 1933-34, and with actual revenues of £P.3,016,000 in 1932-33. Under main heads, the budgeted and actual revenues for the 3 years in question are given as follows:

Palestine Government Revenues
(In thousands of Palestine pounds)

	Actual revenues 1932-33	Budgeted revenues 1933-34	Actual revenues 1933-34	Budgeted revenues 1934-35
Customs	1,287	1,200	1,800	1,650
Licenses and taxes	824	840	815	776
Court and administrative fees, reimbursements, etc.	332	290	458	379
Posts and telegraphs	230	226	269	273
Grants in aid	128	149	149	149
Interest	84	43	55	72
Port and marine dues	16	34	50	58
Revenue from Government property	16	17	13	15
Land sales	19	6	11	6
Miscellaneous	80	55	95	105
Total	3,016	2,860	3,715	3,483

The foregoing summary of actual and budget revenues shows the conservatism that has characterized estimates of revenues in the recent past. Customs receipts, particularly, have been greatly underestimated in budget forecasts.

Estimated Deposits in Palestine Banks (Vice Consul J. L. Brent, Jerusalem, 6/13/34)

It is estimated that early in June 1934 deposits in Palestine banks totaled £P.13,000,000, representing an increase of £P.2,000,000 over the amount estimated for February 1934.

PERSIA

Exchange Value of Rial Tied to French Franc (Vice Consul Raymond A. Hare, Teheran, 6/12/34)

Banking authorities confirm the announcement in the Teheran press that for exchange purposes the rial is tied to the French franc at the rate of 107 rials to 100 francs. The franc will replace the pound sterling, which was taken as the equivalent of 82 rials when the National Bank of Persia decided to stabilize the currency early in April 1934. (See Far Eastern Financial Notes 161, "Persia Reported Planning Adoption of Gold Standard".) The fluctuations in sterling exchange since that date have made the pound unsatisfactory as a base.

PHILIPPINE ISLANDS

(One Peso = 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging $5/8$ percent premium for demand drafts and $1\ 1/8$ percent premium for telegraphic transfers.)

Bond Issue for Completion of Manila Water System (Trade Commissioner Carl E. Boehringer, Manila, 6/21/34)

It has been decided to put out an issue of bonds, amounting to 2,000,000 pesos, in order to finish the Angat dam, which with the completion of the filter-plant at Mandaluyong, will assure Manila of an adequate water supply for years to come, the Secretary of the Department of Public Works and Communications has announced.

Completion of the filtration plant calls for an estimated expenditure of 240,000 pesos. That sum is already available in the Treasury, and its appropriation has been approved by the board of the Metropolitan Water District.

Proceeds from the sale of the bonds will be devoted to final work on the Angat dam. On its construction 4,000,000 pesos were expended before work was abandoned in 1929. Completion is estimated to cost 1,900,000 pesos. Resumption of work is scheduled to start in August 1934.

The Water District Board has tentatively approved a plan to issue the bonds in three yearly installments, two of 700,000 pesos each and one of 600,000 pesos, in denominations of 1,000 pesos, 500 pesos, and 100 pesos.

Reduced Manila City Revenues in Five Months of 1934 (Trade Commissioner Carl E. Boehringer, Manila, 6/22/34)

For the first 5 months of 1934, the city revenues of Manila totaled 1,488,803 pesos, or 115,597 pesos less than the amount collected in the corresponding period of 1933. The reduction was attributed to diminished yields from building permits, land taxes, market charges, municipal court fees, and other sources.

It was hoped that the proceeds of the real estate tax, which was due to be collected at the end of May 1934, would make up for the decline in revenues recorded for the first 5 months of 1934. With Manila's real property valued for fiscal purposes at 266,911,477 pesos, this tax, at the rate of 1 percent, should bring in 2,669,115 pesos.

Credits and Collections in Philippines During June 1934 (Radio from Trade Commissioner Carl E. Boehringer, Manila, 7/19/34)

The banks have large amounts of inactive funds on hand, and there is practically no demand for loans. Accordingly, interest rates paid on current-account deposits were reduced on July 1, 1934, from 2 to 1 percent.

STRAITS SETTLEMENTS

(On July 25 one dollar = \$0.5906)

Circulation in British Malaya (Trade Commissioner Julian B. Foster, Singapore, 6/30/34)

The note and currency circulation in British Malaya on June 1, 1934, amounted to S\$67,700,788, and increased to S\$68,519,750 by the end of the third week in June. It was expected that a gradual increase would continue for several months afterward, as trade conditions supposedly keep on improving.

Improved Budget Results for Quarter, January-March 1934 (Trade Commissioner Julian B. Foster, Singapore, 6/30/34)

The Government has announced that for the first 3 months of 1934 its revenues amounted to S\$7,750,792, compared with S\$7,128,346 estimated in the budget for that period. Against the budget provision of expenditures, S\$8,496,214, for the initial quarter of 1934, actual outgo amounted to only S\$7,211,778.

TURKEY

(One Turkish pound = 12.06 French francs, or on July 25 = \$0.7951)

Law on Reserves Against Time and Savings Deposits (Trade Commissioner Julian E. Gillespie, Istanbul, 6/11/34)

Law No. 2243, which was passed May 5, 1933, to encourage savings and safeguard bank deposits, has been modified by Law No. 2457, published May 30, 1934, so far as the reserves required to be held against various classes of deposits are concerned.

Article 8 of Law No. 2243 required banks to hold cash reserves against time, demand, or savings deposits, in the following respective percentages:

- 30 percent against demand deposits or deposits subject to withdrawal on prior notification not exceeding 1 month, and time deposits for periods of less than 1 month;
- 20 percent against deposits subject to withdrawal on prior notification exceeding 1 month but not exceeding 1 year, and time deposits for periods of more than 1 month but less than 1 year;
- 10 percent against deposits subject to withdrawal on prior notification exceeding 1 year, and time deposits for periods of more than 1 year.

The new law permits as much as 50 percent of reserves to be invested in interest-bearing securities, whereas the old law required that the entire reserves be kept in cash. However, the consent of the Finance Ministry to make any such investments is necessary. Furthermore, the new law specifically declares that depositors' rights of withdrawal are not to be impaired by the amendment.

A clearly indicated purpose of the new measure is to permit the investment of banking funds, to a larger extent than has been possible, in Government obligations incurred for railway construction and for local public works projects.

Stability of Turkish Exchange (Economist, London, 6/30/34)

The Turkish pound has been one of the most stable currencies in the world with respect to gold. It has remained constant at the equivalent of 12.06 French francs ever since September 1930. That stability may be considered artificial in part, since it is backed up by restrictions on exchange dealings and on imports. Compared with many other countries, though, Turkish exchange restrictions are not severe. No system of clandestine dealings or "black" market for exchange has grown up.

Turkey handles the situation largely through a system of exchange clearings, for which agreements have been reached with almost every country except Great Britain and the United States.

Special support for the stability of the Turkish pound was afforded by the foreign currency advances the Ottoman Bank made some years ago to the Central Bank of Turkey. That kind of assistance given a central bank by a commercial bank is rather unusual.

During 1933 the Central Bank's gold reserve increased from £T.13,400,000 to £T.18,400,000, and its foreign exchange holdings from £T.364,000 to £T.3,764,000. Against the increases shown in the two items supporting the currency, the Central Bank's note issue, in 1933, declined from £T.161,300,000 to £T.158,000,000.

NOTE: On May 31, 1934, the Central Bank's gold reserve amounted to £T.25,-022,399, and its foreign exchange holdings to £T.3,813,395. (Commercial Attache Julian Gillespie, Istanbul, 6/4/34)

Turkish Government Authorizes Internal Loan (Commercial Attache Julian E. Gillespie, Istanbul, 6/13/34)

On May 29, 1934, the Turkish Grand National Assembly passed Law No. 2464, which authorized the Finance Minister to float an internal loan of £T.30,000,000, to be represented by issues of 20-year lottery bonds. The law provides that the annual rate of interest, combined with the premiums paid to be determined by drawing lots, shall be fixed at 7 percent. The difference between the total amount of the bonds at par and their amount at issue price or prices, plus the expenses connected with issuing operations, shall not exceed 8 percent of the loan's par amount.

The law exempts the principal of bonds representing the loan, also the interest and premiums paid on them, from all present and future taxation. In no one year are bonds to be issued in excess of £T.10,000,000. The proceeds are to be used exclusively for construction of the Sivas-Erzurum railway.

The loan bonds will be accepted at par as guarantee payments or deposits in all judicial actions and in all contracts with the central, provincial, and local governments, as well as with all institutions financed by the Government. They will also be taken at par in payment for national property sold either before the law was enacted or afterward.

The Government may call and retire the bonds at par after 10 years.

Preliminary Turkish Budget Figures (Commercial Attache Julian E. Gillespie,
Istanbul, 6/9/34)

The Turkish Grand National Assembly on May 30, 1934, passed the budget for the fiscal year ending May 31, 1935. Authorized expenditures amount to LT.184,075,000 and revenues are estimated at LT.184,000,000. Both totals represent considerable increases over those in the 1933-34 budget, which provided for expenditures of LT.170,474,794 and revenues of LT.170,477,000.

Several new taxes have been adopted to meet the increased budget requirements. Among them are stamp taxes on tobacco and alcoholic beverages, higher stamp taxes of other kinds, special consumption taxes on coffee, tea, cocoa, and sugar, and also a special tax on flour. Military and naval expenditures will probably account for more than one-third of total budgeted expenditures. The Ministry of National Defense has been allotted LT.41,000,000 for the army and LT.4,500,000 for military aviation. In addition, appropriations are designated for naval purposes, munitions plants, the military police force, and the Bureau of Map Making.

Ottoman Bank Maintains 1½ Percent Dividend (Near East and India, London, 6/21/34)

At the stockholders' annual meeting on June 19, 1934, it was announced that the Ottoman Bank in 1933 had net earnings shown on its profit and loss account amounting to £76,820. That sum, added to £25,338, carried over from 1932 as undivided profits, left £102,158 available for distribution to stockholders. A dividend of 1½ pence per £10 share, or 1½ percent, at the same rate as was paid in 1932, was declared on the paid-up capital, £5,000,000. The dividend payment called for the outgo of £75,000, and left £27,158 to be carried forward as undivided profits in the next account.

Grosvenor M. Jones, Chief,
Finance and Investment Division.

THE BALANCE OF INTERNATIONAL PAY-
MENTS OF THE UNITED STATES IN 1933.

The twelfth annual survey of the United States' international transactions has just been published. The results, the analysis of our international accounts, are set forth in detail in Trade Information Bulletin No. 819, now ready for distribution. Price 10¢ a copy.

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1911

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subject.

3. The third part
deals with the
principles of the
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4. The fourth part
deals with the
principles of the
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DEPARTMENT OF COMMERCE
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WASHINGTON

FOREIGN FINANCIAL NEWS

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AUSTRALIA

(On August 8 one pound = \$4.0300)

Queensland Government Finances for 11 Months of 1933-34 (Queensland Government
Gazette, Brisbane, 6/9/34)

For the 11 months ended May 31, 1934, of the fiscal year 1933-34, receipts of the Queensland Government in the Consolidated Revenue Fund totaled £12,245,761, or £462,214 less than expenditures for the same period, £12,707,975. Those actual results for 11 months are to be compared with budget provisions for all of 1933-34, revenues totaling £13,202,935, and expenditures, £15,051,337.

Tax receipts in the Consolidated Fund, not including unemployment relief and motor taxes which both come under Trust Funds, amounted to £2,944,934 for the 11 months ended May 31, 1934, compared with tax revenue forecasted at £3,130,000 for all of 1933-34. The yields of the various taxes for 11 months are given, in thousands of Australian pounds, with their several amounts for the whole fiscal year forecasted by the budget in parentheses, as follows: Income tax, 1,492 (1,575); succession and probate duties, 425 (455); land tax, 410; (410) stamp duties 406 (420); Transport Act fees, 55 (55); other taxation, 157 (205). Revenue from other sources than taxation for 11 months ended May 31, 1934, is shown under main heads, in thousands of Australina pounds, with budgeted amounts for the whole fiscal year in parentheses, as follows: Railways, 5,548 (5,835); territorial revenues, 1,299 (1,193); Commonwealth grant under financial agreement, 1,005 (1,096)

interest, 632 (1,042); other revenue not derived from taxation, 817 (907).

Expenditures under the Consolidated Revenue Fund for 11 months ended May 31, 1934, are divided under main heads, in thousands of Australian pounds, with amounts provided for the whole year in the 1933-34 budget shown in parentheses, as follows: Railways, 3,954 (4,365); interest paid abroad, 3,596 (3,366); interest paid in Australia, 1,201 (1,642); education, 1,274 (1,396); exchange, 668 (895); administration of justice, including police and prisons, 628 (690); public health, 460 (497); sinking fund payments, 385 (418); pensions, 178 (199); public works, 133 (151); unemployment relief, 118 (115); miscellaneous charitable purposes, 97 (110); other expenditures, 1,016 (1,207).

Under Trust Funds, distinguished from the Consolidated Revenue Fund, receipts for 11 months ended May 31, 1934, totaled £6,158,363, or £692,196 in excess of expenditures for 11 months, £5,466,167. Receipts and payments on account of unemployment insurance are entered under Trust Funds. Most of the money employed in connection with unemployment relief, £1,801,407 in receipts from the special unemployment relief tax and £1,673,214 in expenditures, is also passed through the Trust Funds, but note has already been made of other expenditures on unemployment relief, amounting to £118,237, recorded in the Consolidated Fund. The revenue from the motor tax forms part of Trust Funds receipts, corresponding to Trust Funds expenditures on main roads. The main items of Trust Funds receipts for 11 months of 1933-34, in thousands of Australian pounds, with expenditures in parentheses, are shown in the following amounts: Unemployment relief, 1,801 (1,673); main roads, 1,082 (849); unemployment insurance, 368 (335); other Trust Funds operations, 2,907 (2,609).

Commonwealth Budget Surplus for 1933-34 (Radio from Trade Commissioner
Wilson C. Flake, Sydney, 7/24/34)

Presliminary figures for the fiscal year ended June 30, 1934, show a surplus of £1,300,000 for the Federal Government. That favorable result is in sharp contrast to a deficit of £1,700,000 forecasted when the 1933-34 budget was made up. Increased customs receipts and larger revenues from the sales tax, both reflecting pronounced business improvement, contributed chiefly to the surplus. The extent of the benefit to general business and to Government finances is measured by an average price of 15.8 pence per pound for wool in the grease and a sales value of £51,000,00 for the wool clip in 1933-34, compared with an average price of 8.5 pence per pound and a clip valued at £34,000,000 in the year ended June 30, 1933.

Disposition of Commonwealth Government's 1933-34 Surplus (Various sources)

It was expected that, for the fiscal year ended June 30, 1934, the accumulated surplus of the Australian Federal Government would amount to about £6,000,000. Of that amount, something like £2,000,000 would go as grants to the States, enabling them to meet in part their several budget deficits. According to an announcement made around July 1, 1934, £4,000,000, making up the remainder of the surplus on hand, would be expended for defense purposes.

Increased Deposits and Cash Ratios in 10 Trading Banks (Radio from Trade Commissioner Wilson C. Flake, Sydney, 7/24/34)

Total deposits of 10 trading banks averaged £297,000,000 during the quarter ended June 30, 1934, compared with an average of £291,000,000 in the quarter closed March 31, 1934, and £275,000,000 for the June 30 quarter of 1933.

The growth in the amount of deposits during this quarter and year may not appear striking. But the average ratio of cash holdings to deposits in the 10 banks, which stood at 15 percent in the quarter ended June 30, 1933, rose to 16.4 percent in the quarter ended March 31, 1934, and to 17.9 percent during the quarter that closed June 30, 1934.

Possible Government Loan for Rural Betterment (Radio from Trade Commissioner Wilson C. Flake, Sydney, 7/24/34)

Although on July 24, 1934, wheat was quoted in Sydney at 3 shillings per bushel, or 3 pence above the average price in June, and thus continued a rising trend already in evidence, the position of wheat farmers is still considered very unsatisfactory. The Government is reported to be studying a scheme for "rural rehabilitation". No details have been announced, except that a loan of £15,000,000 may be floated to carry out the plan. The relief measure is intended chiefly to assist wheat growers, but it will probably benefit others engaged in agriculture.

Commonwealth Bank Changes Policies on Treasury Bills (Various sources)

Beginning July 1, 1934, the Commonwealth Bank discontinued its practice, followed for about 3 years, of guaranteeing Treasury bills. Back in 1931, when the Government's finances were in an uncertain condition, the Bank's guarantee was thought to make Treasury bills sounder investments. Since the Commonwealth Government's financial position is now much stronger, its Treasury obligations do not require the Bank's endorsement or guarantee.

Commonwealth Bank's New Discount Policy on Treasury Bills (Assistant Trade Commissioner Wilson C. Flake, Sydney, 7/3/34)

Approximately £52,000,000 of the Federal Government's Treasury Bills were reported to be held in Australia at the end of June 1934. The trading banks had around £30,000,000, the remainder being held by the Commonwealth Bank. For about 3 years, prior to July 1, 1934, it had been the practice of the Commonwealth Bank to arrange, when an issue of bills came out, to rediscount them at fixed rates whenever they might be presented for that purpose by a trading bank. The Commonwealth Bank has announced that issues of Treasury bills put out after July 1, 1934, will not be rediscounted at fixed rates. Instead the rates will vary according to market conditions at the time bills are offered for rediscount. It is understood that this change in policy was made in order that the Bank may be better able to put into effect its views as to the disposition of funds under its control. It has been suggested that the new arrangement may induce the trading banks to carry smaller amounts of Treasury bills in the future. That would force the Commonwealth Bank to increase its holdings of bills to a corresponding degree.

BRITISH INDIA

(On August 8 one rupee = \$0.3804)

Rupee Debt of Indian Government, March 31, 1934 (Gazette of India, New Delhi, 6/23/34)

The interest-bearing debt of the Government of India, outstanding on March 31, totaled 6,902,503,000 rupees, of which 2,556,810,00 rupees made up the unfunded obligations; consisting of Treasury bills, Ways and Means advances, Post Office cash certificates, Post Office savings deposits, and provident funds, together with other miscellaneous unfunded items.

The interest-bearing debt was divided into main classes of obligations, given in lacs or hundreds of thousands of rupees, as follows: Provident funds and unfunded debt, 25,568; terminable loans, falling due at dates extending from 1934 to 1970 and bearing interest at rates varying from $3\frac{1}{2}$ to $6\frac{1}{2}$ percent, 30,708; non-terminable loans or loans in perpetuity bearing interest mostly at $3\frac{1}{2}$ percent but a small portion (317 lacs) at 3 percent, 12,519; railway loans, 230; total, 69,025.

The amount of the interest-bearing debt held in England on March 31, 1934, was given as 81,625,000 rupees, or slightly less than 1.2 percent of the total outstanding, 6,902,503,000 rupees.

In addition, there were outstanding various amounts of war bonds and loans, which matured at dates extending from 1920 to 1933 and have ceased to bear interest but had not been presented for redemption. The total of these past-due obligations, designated as Public Debt not Bearing Interest, was given as 8,698,000 rupees on March 31, 1934.

Easy Conditions in Calcutta Money Market, End of June 1934 (Various sources)

During the week that ended June 30, 1934, the money market was very easy. The interbank call rate ruled at less than 1 percent most of the time, but finally closed at $1\frac{1}{2}$ percent. The evident lack of demand for money is attributed to limited activity in securities transactions, discontinued sales of Treasury bills, maturity of Treasury bills amounting approximately to 60,000,000 rupees, and the Government's purchase of £565,000 in sterling.

BRITISH MALAYA

(On August 8 one Straits dollar = \$0.5925)

Gold Imports and Exports, January-April, 1934 (Various sources)

Gold bullion exports from British Malaya for the first 4 months of 1934 are valued at S\$5,483,681 as against S\$8,711,880 in the corresponding period of 1933. Imports of gold bullion in the 1934 period totaled S\$2,107,155. Shipments to the United Kingdom were valued at S\$3,464,256, to the Netherland Indies, S\$1,619,139, and to British possessions, S\$400,286.

Exports of gold coin from British Malaya were valued at S\$204,402. Of this amount, S\$91,000 went to the United Kingdom, S\$104,000 to European countries, and S\$9,402 to the Netherland East Indies.

CHINA

(On August 8 one yuan = \$0.3463)

Shanghai Bankers' Loan to Cotton Growers in Shensi Province (Vice Consul
Hedley V. Cooke, Jr., Shanghai, 6/22/34)

As part of a comprehensive plan recently adopted by the National Economic Council for rehabilitation of the Chinese cotton industry, six of Shanghai's leading Chinese banks (the Kincheng Banking Corporation, the Shanghai Commercial and Savings Bank, the Bank of China, the Bank of Communications, the Chekiang Industrial Bank, the Bank for Farmers in Four Provinces) have formed a syndicate for the purpose of making a loan in the amount of 672,470 yuan to cotton growers in the Province of Shensi. The funds supplied by the banks are to be administered by 12 Cotton Cultivation and Marketing Cooperatives, which have been organized under the auspices of the Cotton Control Committee of the National Economic Council and the Shensi Cotton Improvement Society. It is expected that the loan will perform an invaluable service to Shensi cotton growers, many of whom, impoverished by famine and civil wars, are not in a position to continue cultivation with their own depleted resources. The loan will cover over 10,000 acres of cotton-producing land in the province.

The loan is to be divided into three parts, as follows: Cultivation loan, 114,530 yuan; transportation and marketing loan, 521,840 yuan; ginning and packing loan, 36,100 yuan. Interest on the loans has been fixed at 0.9 percent per month, or 10.8 annually, as against the usual monthly rates charged rural borrowers, varying from 3 to 8 percent.

Loans for cultivation will be redeemed by delivery to the Cooperatives of cotton harvested each season. Loans for transportation and marketing are to be redeemed after the products are sold. Loans for ginning and packing are to be redeemed in five equal annual installments.

It is understood that similar loans will be made to cotton growers in the Provinces of Shantung and Honan, and that if the experiment in those provinces proves successful, the plan will be introduced in other parts of China.

EGYPT

(One Egyptian pound = 1.01572 times one pound sterling
or on August 8 = \$5.1362)

Egyptian Budget for 1934-35 (Journal Officiel No. 56 of 7/2/34)

For the year ending April 30, 1935, the Egyptian budget calls for expenditures of LE.31,632,431 and estimates revenues at LE.31,661,500.

The heads, under which are grouped the heaviest amounts of expenditures, are respectively, irrigation, debt service, operation of the Finance Ministry, education, and pensions and indemnities. Those five general classes have allotted to them altogether LE.16,893,555 for 1934-35 expenditures. By main heads, expenditures are distributed, in thousands of Egyptian pounds, as follows: Irrigation, 4,268; debt service, 4,195; Finance Ministry, 3,229; education, 3,075; pensions and indemnities, 2,127; Ministry of War and Marine, 1,782; Ministry of Justice, 1,694; police, 1,363; Ghaffirs, 1,302; Central administration in the Ministry of the Interior, 1,219; Ministry of Agriculture, 743; State Buildings Department.

EGYPT

712; Post Office, 676; Tanzim Department, 651; Royal Household and Civil List, 618; Ministry of Public Health, 529; other expenditures, 3,449.

Dependence rests on customs receipts and direct taxes to give a combined yield of £19,330,700, or more than 61 percent of total estimated revenues, in 1934-35. Under main heads, the chief classes of revenue are estimated to bring in, respectively, in thousands of Egyptian pounds, with budgeted sums for 1933-34 given in parentheses, the following amounts: Customs, 13,063 (13,369); direct taxes, 6,268 (6,259); judicial and registration fees, 1,841 (2,051); Ghafir fees, 1,285 (1,292); interest on funds, 1,264 (1,197); interest on capital of Egyptian State Railways, 1,040 (918); stamp duty, 938 (885); cotton tax, 800 (600); Post Office, 700 (679); State domains, 668 (777); pension contributions, 572 (562); other revenue, 3,223 (3,486).

Deficits for State Railways, Telegraphs and Telephones in 1934-35 (Commercial
Attache Charles A. Dickerson, Jr., Cairo, 7/3/34)

The budgets for Egyptian State Railways and State Railways and State Telegraphs and Telephones, which are now drawn up separately from the general budget, forecast deficits for the year ending April 30, 1935. For the State Railways, estimated receipts of £4,910,000 and expenditures of £5,313,000 would leave a deficit of £403,000. A deficit of £84,000 is expected in the operation of State Telegraphs and Telephones, resulting from forecasted receipts, £816,500, and expenditures, £900,500.

FEDERATED MALAY STATES

(On August 8 one Straits dollar = \$0.5925)

Federated Malay States Budget Forecasts and Actual Results for 1933 (Various
sources)

The financial report of the Federated Malay States for 1933 shows that the budget for the year 1933 provided for a revenue of S\$44,083,825 (excluding railway revenue) and an expenditure (excluding expenditure on loan accounts and railway expenditures on revenue account) of S\$54,521,473.

The actual revenue for the year was S\$47,198,806, while the expenditure including the deficit on the working of the railway amounting to S\$2,039,910 (of which only S\$1,000,000 was provided for in the estimates) came to S\$50,258,671. There was thus a deficit of S\$3,059,000 against an estimated deficit of S\$10,437,648.

Improved Prospects for Federated Malay States Budget in 1934 (Various sources)

In the budget for the calendar year 1934, the Federated Malay States estimated revenue at S\$47,522,504 and expenditure at S\$50,367,480, or an estimated deficit of S\$2,844,976. From the increased revenue on customs duties and excise taxes during the first 3 months of this year, it appears that there will be a comfortable surplus, mainly as a result of high prices for rubber and tin.

JAPAN

(On August 8 one yen = \$0.2983)

Yokohama Specie Bank's Foreign Reserves Decline (Radio from Commercial
Attache Frank S. Williams, Tokyo, 7/23/34)

It is reported that the reserves of the Yokohama Specie Bank held in foreign countries have declined from 450,000,000 yen, the level at which they stood early in the year, to 280,000,000 yen by the middle of July. The decline is ascribed to seasonal factors, the period covered being one of heavy imports, and to the purchase in England of South Manchuria Railway bonds, amounting to about 6,000,000 pounds sterling, which will mature in 1936.

Clearing House Banks' Deposits and Loans in June 1934 (Radio from Commercial
Attache Frank S. Williams, Tokyo, 7/23/34)

On June 30, Japanese clearing house banks reported total deposits of 6,857,000,000 yen, compared with 6,481,000,000 yen for the corresponding date of 1933. Total loans were reported as 4,979,000,000 yen, compared with 5,217,000,000 yen in June 30, 1933.

Japanese Banks Underwrite Manchukuo Bond Issue (Radio from Commercial Attache
Frank S. Williams, Tokyo, 7/23/34)

A Japanese banking syndicate is reported to have decided on underwriting a Manchukuo bond issue of 10,000,000 yen. The proceeds of that transaction will be used for the construction of waterworks and execution of a program for city planning in Harbin and Hsinking.

Purchases of Securities in Japan, January-June 1934 (Statistics of Capital
Paid for Loans and Stocks, Nippon Kwangya Ginko,
June 1934)

Purchases of bonds and stocks in Japan in the first 6 months of 1934 amounted to 2,961,433,276 yen, compared with 2,293,897,976 yen for the corresponding period of 1933. These figures are to be distinguished from those given for issues of securities. (See Far Eastern Financial Notes No. 162, dated July 19, 1934, Japanese Capital Investments January-May, 1934.) "

Purchases of Government bonds in 6 months of 1934 are recorded as totaling 28,535,870 yen, compared with 1,394,542,835 yen in the corresponding period of 1933. Six months' purchases of municipal bonds came to 500,685,206 yen, against 78,135,141 yen in the first half of 1933. Corporation bonds, to the amount of 289,062,250 yen, were purchased in the first 6 months of 1933 against 482,216,000 yen in the corresponding period of 1933. Purchases of stocks in the first 6 months of 1933 were recorded as amounting to 243,149,950 yen, compared with 144,003,500 yen in the corresponding months of 1933.

Capital Expended on Purchases of
Japanese Securities
(In thousands of yen)

	Jan.-June 1931	Jan.-June 1932	Jan.-June 1933	Jan.-June 1934
Government bonds	502,563	468,408	1,394,543	928,536
Municipal bonds	66,058	43,873	278,135	500,685
Corporation bonds:				
Banks	110,408	91,419	234,662	154,540
Others	80,085	30,800	247,555	1,134,522
Stocks	65,525	71,433	144,003	243,150
Total	824,639	705,933	2,298,898	2,961,433

The amount paid for purchases of corporation securities, 1,532,212,200 yen, in the first 6 months of 1934 included 622,122,575 yen, more than 40 percent of the total of securities of electric power and gas enterprises. In the corresponding period of 1933 purchases of corporation securities totaled 626,220,000 yen, but the amount paid for electric and gas securities came only to 71,872,500 yen-much less than the 239,533,500 yen expended for bank securities-111,626,750 yen for stocks and bonds of manufacturing enterprises, and 141,665,500 yen for the securities of transportation companies in the first half of 1933.

Capital Expended on Purchases of Japanese
Corporate Securities
(In thousands of yen)

Item	January-June 1933			::	January-June 1934		
	Bonds	: Stocks	: Total		Bonds	: Stocks	: Total
Banking	234,662	: 4,872	: 239,534	::	154,540	: 2,768	: 157,308
Manufacturing	57,575	: 54,052	: 111,627	::	157,100	: 116,782	: 273,882
Mining	---	: 3,350	: 3,350	::	8,450	: 16,142	: 24,592
Electric power and gas	47,430	: 24,442	: 71,872	::	574,582	: 47,540	: 622,122
Transportation	101,050	: 40,615	: 141,665	::	359,450	: 11,204	: 370,654
Other	41,500	: 16,672	: 58,172	::	34,940	: 48,714	: 83,654
Total	482,217	: 144,003	: 626,220	::	1289,062	: 243,150	: 1532,212

Japanese Issues of Corporation Securities, January-June 1934 (Statistics of Business Enterprises, Bank of Japan, June 1934)

Issues in Month of June

In June total new issues of corporate capital in all Japan amounted to 58,180,000 yen, compared with 123,447,500 yen in the corresponding month of 1933. That was the smallest grand total for any month of 1934, except February, when only 36,475,000 yen of new capital issues were put out. Total issues for June were made up of 34,050,000 yen in the stock of 20 newly constituted companies, of 13,230,000 yen stock increases in 13 companies already in existence, and of 10,900,000 yen in bonds issued by 5 companies.

Issues in 6 months of 1934

During the first 6 months of 1934 corporate securities were issued in the total amount of 524,950,000 yen, or less than half the amount of total issues, 1,135,718,100 yen, recorded for the corresponding months of 1933. Making up the 6 months' total for 1934 were 315,415,000 yen in stock of 229 new companies, 100,485,000 yen increases in the stock of 52 existing corporations, and 109,050,000 yen in bonds issued by 17 companies,

Capital Investments by Sections of the Empire

Of the total securities issued, 524,950,000 yen, in the first 6 months of 1934, companies operating in Japan proper put out 408,015,000 yen. For South Manchuria a total of 90,650,000 yen in corporate issues was recorded, and considerably smaller amounts for two other sections of the Japanese Empire, 25,185,000 yen for Chosen, and 1,100,000 yen for Taiwan. Companies operating in Karafuto had no record of securities issued in the first 6 months of 1934.

Issues of Corporate Capital by Main Sections of Japanese Empire

(In thousands of yen)

	Jan.-June 1930	Jan.-June 1931	Jan.-June 1932	Jan.-June 1933	Jan.-June 1934
Japan Proper	216,888	297,876	139,098	324,236	408,015
Chosen	12,820	3,620	3,075	8,000	25,185
Taiwan	2,750	300	1,490	400	1,100
Karafuto	1,300	325	---	---	---
South Manchuria	---	500	1,250	458,050	90,650
Total, all Japan	233,758	302,621	144,913	790,686	524,950

NETHERLAND EAST INDIES

(On August 8 one florin or guilder = \$0.6800)
Budget

Drastic Reduction in 1934-35/Still Leaves Estimated Deficit (Trade Commissioner Charles Brookhart, Batavia, 6/26/34)

Compared with the total of approximately 550,000,000 guilders for the budget in recent years, it has been announced that expenditures for the year 1935 must

be brought down to 300,000,000 guilders. An earlier total considered had been 342,000,000 guilders.

Even the lowest figure named, 300,000,000 guilders, for expenditures in 1935 would still leave a considerable deficit, since it had been estimated that revenues in 1935 will not exceed 250,000,000 guilders. A deficit of 75,000,000 guilders has been forecasted in a recent speech of the Governor General, resulting from a deficit of 87,000,000 guilders in the ordinary budget offset in part by a surplus of 12,000,000 guilders in extraordinary budget operations.

NEW ZEALAND

(On August 8 one pound = \$4.0456)

Government Budget Deficit for 1933-34 Reduced (Vice Consul Walter W. Hoffman, Wellington, 6/7/34)

At the end of May 1934, when the audited figures for the fiscal year ended March 31, 1934, were made public, it appeared that the deficit had amounted to £700,000. That result was thought to be highly successful, since the deficit, at the beginning of 1933-34 had been forecasted at £2,000,000. There were unexpectedly large yields from a number of revenue sources, such as customs, sales and income taxes, documentary stamps and death duties. Only to a relatively slight extent, or to the amount of £250,000 altogether, was the deficit cut down by reduced expenditures. It must be kept in mind that £2,000,000 had to be withdrawn from the reserves. That amount, however, should be compared with £2,500,000 taken from reserves for the same purpose in 1932-33.

If expenditures can be kept at the level at which they were held in 1933-34 and tax receipts continues to increase as they have since the beginning of November 1933, it is thought there will probably be no need to draw on reserves in the year ending March 31, 1935.

PALESTINE

(One pound Palestine is equivalent to one pound sterling or
on August 8 = \$5.0567)

Budget Surplus for 1933-34 Amounts to £P.1,280,637 (Vice Consul Joseph L. Brent, Jerusalem, 7/7/34)

Revised figures on the Palestine Government's finances for the year ended March 31, 1934, give the amount of the realized surplus as £P.1,280,637, as the consequence of revenues totaling £P.3,985,492, and expenditures of £P.2,704,855.

Customs yielded £P.1,868,598, the largest amount in receipts from any main source. Receipts from taxes and license fees were given as £P.1,857,180.

Under principal heads, total expenditures in 1933-34, £P.2,704,855, were distributed, in thousands of Palestine pounds, as follows: Police and prisons, 487; public works, 353; education, 180; Trans-Jordan frontier force, 172; defense, 110; other, 1,403.

(See Far Eastern Financial Notes 163, dated August 5, 1934, "Palestine Budget for 1934-35")

PERSIA

(The par of the rial is approximately \$0.4120)

Teheran Foreign Exchange Rates (Vice Consul Raymond A. Hare, Teheran,
6/18/34 and 6/25/34)

Following the official tying of the rial to the French franc at the equivalent of 107 rials to 100 francs, early in June 1934, the exchange rate of the two currencies remained constant at that parity in the two weeks ended June 23. The pound sterling, originally taken as the exchange base at 82 rials to the pound but later abandoned because of its proneness to fluctuate, remained stable at the equivalent of 81.90 rials in the week ended June 16, but ranged from 81.65 to 81.80 rials in the week ended June 23. During the week ended June 16, dollar exchange varied from 16.20 to 16.25 rials, but stayed unchanged at 16.25 rials in the week ended June 23.

(See Far Eastern Financial Notes No. 163, dated August 5, 1934)

Foreign Exchange Funds and Loan for Persian Industrial Development (Minister
W. H. Hornibrook, Teheran, 6/14/34)

In order to further the building and equipment of plants in Persia for refining sugar, manufacturing chintz, weaving silk, and other industrial operations, the Finance Minister was authorized by an act the Legislative Majlis passed June 5, 1934, to grant the following facilities:

- 1) Put at the disposition of the Department of Agriculture and Commerce the sum of £250,000, taken from the foreign exchange reserve funds, to make payments for industrial material and equipment that must be purchased abroad;
- 2) Make a long term loan for 30,000,000 rials and put the proceeds at the disposition of the Department of Agriculture and Industry, to make domestic payments necessitated by execution of the industrial program.

Prevailing Rates of Interest on Mortgages, etc. in Teheran (Vice Consul
Raymond A. Hare, Teheran, 6/18/34)

Loans on improved real estate pay high rates of interest in Teheran. The rate varies from 15 to 18 percent for loans on buildings used for business purposes, which are considered the highest grade of security for real property loans, from 18 to 21 percent on dwellings in the better residential districts, from 24 to 27 percent on houses in the poorer sections of the city, and from 24 to 30 percent on farm lands.

Loans to Government employees against repayment from future salaries bear interest as high as 60 percent. On distinctively speculative loans the interest rate may reach 120 percent.

Bank Interest Rates in Persia (Vice Consul Raymond A. Hare, Teheran, 6/18/34)

Early in June, the Government-controlled National Bank of Persia announced discount rates of 8 percent on bills maturing within 45 days, and of 9 percent on bills running from 46 to 90 days. In addition, there would be charged a commission

of 1/10 of 1 percent. The minimum discount period was set at 10 days.

Interest at the rate of 9 percent was fixed for current account overdrafts in rials, and 6 percent on such accomodation in foreign currency, plus a commission of 1/4 of 1 percent for each 3 months.

Interest Rates on Deposits with State Bank (Vice Consul Raymond A. Hare,
Teheran, 6/18/34)

The Persian State Bank pays interest on time deposits, in minimum amounts of 5,000 rials, at the rate of 2 percent for 3 months, $2\frac{1}{2}$ percent for 6 months, and $3\frac{1}{2}$ percent for 12 months.

PHILIPPINES ISLANDS

(One peso equals 50 pents. Philippine currency is pegged to the U.S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U.S. at the rate of 2 pesos for 1 dollar, charging $\frac{5}{8}$ percent premium for demand drafts and $1\frac{1}{8}$ percent premium for telegraphic transfers.)

Preliminary 1935 Budget (Acting Trade Commissioner Carl E. Boehringer,
Manila, 6/29/34)

The budget office of the Philippine Department of Finance announced on June 28, 1934, a preliminary budget for the Insular Government for the year 1935, carrying a total appropriation of 56,513,092 peses. This amount is 2,824,-092 less than the authorized appropriations for the current year.

The preliminary 1935 budget, however, carries an appropriation in the amount of 950,000 pesos to meet expenses which may be incurred when the Philippine Commonwealth Government is established, and the national plebiscite on the Philippine constitution is held. This is a special appropriation which, properly speaking, should be regarded as an extra item in the budget and which, if substracted, would make the appropriations for next year nearly 4,000,000 pesos less than for the 1934 calendar and fiscal year.

An item for 700,000 pesos for public works maintenance is included in the 1934 preliminary budget. Nothing was said about public works proper, because this may be taken up in a supplementary budget which the Department of Public Works and Communications is expected to submit when the Legislature convenes in July, 1934.

The appropriations for 1935 would have been the same as for 1934 had it not been for the elimination of an item of about 3,000,000 pesos which is set aside yearly for meeting the bonded debt of the Insular Government in connection with the purchase of the friar lands.

Insular Government's Revenues and Expenditures, First 4 Months of 1933 and 1934
(Acting Trade Commissioner Carl H. Boehringer, Manila, 6/29/34)

The revenues of the Philippine Government during the first 4 months of 1934 amounted to 20,903,990 pesos against 18,941,154 for the same period of 1933, an increase of 1,962,836. Expenditures for the 1934 period amounted to 18,742,720 pesos against 18,878,168 for the same period in 1933, or a decrease of 135,448 pesos.

New Policy on Tax Remission Announced (Acting Trade Commissioner Carl E. Boehringer, Manila, 6/29/34)

A new policy on the remission of taxes of provincial governments in the Philippine Islands was announced by Governor General Murphy on June 26, 1934. Tax remissions will be allowed those provinces that are in dire financial straits and will agree to a curtailment of their budgets so as to finish the year 1934 without overdrafts or deficits. Governor Murphy has been against such a step in the past but it is understood that in view of the marked depression in some of the Islands' major export crops and other financial setbacks, he has decided to inaugurate this new policy. The provinces concerned are mostly those embracing the coconut and abaca regions, which have been adversely affected by the lowering of prices of these two commodities. Governor Murphy also announced that he will make a midyear examination of provincial finances and, if trends in revenues are downward an effort will be made to check such a movement either by stricter collections or further economies in government.

Amendment of Parity Law and Revelation of Peso on Reduced Gold Content
Basis to be Sought (Acting Trade Commissioner Carl H. Boehringer, Manila, 7/12/34)

An amendment of the present parity act in order to prevent the possible yearly loss of P3,000,000 in customs revenue, will be proposed by the Philippine Department of Finance to the Legislature it was learned yesterday.

The proposed bill is being drafted by the department on the recommendation of the customs authorities. As a result of the devaluation of the American dollar a modification of the enforcement of the parity act for the protection of the government revenue has become urgent, it was pointed out.

It was explained that when the United States suspended the gold standard, the Philippine currency, because of its dependence upon United States currency, ceased to be on a gold basis. Then, after the President had fixed the value of the dollar at 59.06 cents in terms of its old parity, the United States returned to gold standard, but this time to a modified gold bullion standard.

In order to enable the peso to follow the fluctuations of the dollar, it was found advisable to recommend ^{that} Section 1611 of the Administrative Code be amended as follows:

"Section 1611. -- Unit of monetary value in the Philippine Islands. -- The unit of value in the Philippine Islands shall be the gold peso consisting of one-half of the amount of gold and alloy contained in the gold standard dollar of the United States, and two pesos gold shall be equal in weight, fineness and value of the gold standard dollar of the United States."

The proposed tariff legislation has the indorsement of the committee on currency of the Philippine Economic Association, headed by former Secretary of Finance Miguel Unson. It was further explained that as the peso follows the dollar, it is presumed that it has also been devaluated in order to maintain the parity of 2 to 1 between them. Thus, in practice a dollar continues to be equal to two pesos.

This practice, however, is inconsistent with the provision of Section 1611 of the Administrative Code which expressed that "the unit of value in the Philippine

Islands shall be the gold peso consisting of twelve and nine-tenths grains of gold, nine-tenths fine; two pesos gold shall be equal in weight, fineness, and value of the gold standard dollar of the United States."

Independent Currency System Proposed (Acting Trade Commissioner
Carl E. Boehringer, Manila, 6/29/34)

The Department of Finance will recommend to the Philippine Legislature the approval of a bill providing for an independent currency system in the Philippines, it was announced on June 17, 1934. The next session of the Philippine Legislature commences in July 1934. The plan has been elaborated by the acting secretary of finance, with the consent of Governor General Murphy and of the Secretary of War at Washington.

A bill of this nature, if approved by the Legislature, is subject to the sanction of the President of the United States. The Department of Finance officials are hopeful that the Legislature will pass the bill and that the President will find no reason to disapprove it. Secretary Singson Encarnacion stated that an independent currency is a necessity in the economic development of a country. While under the association of the American dollar and the Philippine peso, some progress has been achieved, the advance would be much faster, he declared, if the peso were divorced from the dollar.

The present political situation, the secretary said, should not be an impediment to the establishment of a free currency system in the Philippines, because it was no obstacle to the realization of a similar plan in many dependent countries like the Philippines. He mentioned Hong Kong, the Straits Settlements, Australia, and Canada, all dependent countries, as among those enjoying the right to have an independent currency system.

Central Bank for the Philippine Islands Proposed (Acting Trade Commissioner
Carl E. Boehringer, Manila, 6/29/34)

The establishment of a central bank for the Philippine Commonwealth Government, to be formed within the coming year in accordance with the Tydings-McDuffie Independence law, has been proposed by the acting secretary of the Department of Finance. This bank would have a capitalization of from 10,000,000 to 15,000,000 pesos, which would be subscribed by private banks and individuals. Thus the bank will be virtually a private institution with the Government exercising control over it. Each of the eight foreign banks operating in the Islands would be expected to deposit 700,000 pesos, this reserve already being required by law; accordingly, the central bank would have a reserve of 5,600,000 pesos. The bank would be managed by a board of directors, headed by a governor appointed by the Government. The stockholders would name the other members of the board.

Whether the central bank will be established before the inauguration of the Commonwealth is still doubtful.

Opposition to Proposed Central Bank (Acting Trade Commissioner Carl H.
Boehringer, Manila, 7/7/34)

A growing opposition to the central bank scheme of the Acting Secretary of Finance was noted yesterday, when all foreign banks and the Philippine National Bank were reported to be against the idea. The plan to change the present currency system or to provide an independent one was also described as neither feasible or practicable.

As local bank officials see the proposition of Secretary Singson Encarnacion, in the absence of details, the proposed central bank would be the government depository, act as a fiscal agent of the Government, issue notes, and handle foreign exchange transactions.

While it is admitted that some advantage could be derived from the establishment of a central bank, it is believed that there is not enough business to warrant the expansion of local banking facilities. Furthermore, the rates of interest which a central bank would be likely to charge would be so low that it could not operate profitably.

From the point of view of the foreign banks a central bank would take over their foreign exchange business and ultimately force them out of existence. The present banking system, with the Philippine National Bank at its head, is generally regarded as satisfactory and it is believed that, with slight modifications, it would be adequate under the changed political status. Ample funds are available in local banks to answer the needs of local business and the Government, it is further said.

Estimate of Japanese Investments in Philippines (Acting Trade Commissioner
Carl H. Boehringer, Manila, 7/11/34)

According to a report which appeared in a special Japanese Supplement of The Tribune, a Manila newspaper, on July 7, 1934, Japanese investments in the Philippine Islands are relatively small and are conservatively estimated at about 50,000,000 pesos, in the opinion of local Japanese business men. The report states that "This surprisingly small capital invested here was due to the fact that the history of Japanese enterprises, both commercial and agricultural, dates back only to a few years ago. It is estimated that about one-half of these investments is in commercial, lumbering, fishing and other activities, the remainder being in agricultural enterprises."

Disposition of Gold Refund (Acting Trade Commissioner Carl E. Boehringer,
Manila, 6/29/34)

The refund of \$23,862,750, to be made by the United States Treasury to the Treasury of the Philippine Islands, representing the loss incurred by the latter when the dollar was devaluated, will be deposited with the Insular Treasury at Manila, it was announced on June 16, 1934 by the acting secretary of finance. The money will be used partly to pay the Philippine bonded indebtedness and partly for the establishment of new industries. A share of it will also be spent for the necessary activities of the new Commonwealth Government.

Three Gold Mining Companies Pay Dividends (Acting Trade Commissioner
Carl H. Boehringer, Manila, 7/3/34)

Cash totaling 2,500,000 pesos will go into circulation today, with the payment made of the second quarterly dividends to the stockholders of the Benguet Consolidated Mining and Balatoc Mining companies.

Checks as payment for the dividends have been mailed to the stockholders of the two companies, the majority of whom are American and Philippine residents in the islands. The expenditure of the dividends will aid greatly in accelerating local business.

Since January 1, 1934, the two companies have paid a total dividend of 4,000,000 pesos as compared with 3,000,000 pesos for the corresponding period last year. The Itogon Mining Co., the third biggest gold producing firm, has also declared a dividend.

SYRIA

(One Syrian pound equals 20 French francs or
on August 8 - \$1.3255)

Government Finances for 1933 (Vice Consul Daniel Gaudin, Jr., Beirut, 7/11/34)

The following table shows receipts and expenditures in Syrian pounds for the calendar year 1933 of the States of the Levant under French Mandate:

State	Receipts	Expenditures	Surplus (+) Deficit (-)
Syrian Republic	5,361,401	5,777,671	- 416,270
Sanjak of Alexandretta	965,275	775,201	+ 190,074
Government of Jebel Druze	236,251	242,341	- 6,090
Government of Latakia	1,140,231	923,326	+ 216,905
Lebanese Republic	3,583,506	3,526,623	+ 56,883
Total	11,286,664	11,245,162	+ 41,502

The budget estimates for the calendar year 1934 are as follows:

State	Syrian pounds
Syrian Republic	6,932,100
Sanjak of Alexandretta	734,000
Government of Jebel Druze	273,438
Government of Latakia	1,039,500
Lebanese Republic	4,533,200
Total	13,512,238

Although estimates for 1934 exceed 1933 expenditures by 2,267,076 Syrian pounds, this does not imply that actual expenditures for 1934 will be greater, as estimates are always set at a higher figure. For example, estimates for 1933 were 15,453,882 Syrian pounds while actual expenditures for that year were only 11,245,162 Syrian pounds. Total expenditures for 1934 will probably not exceed 9,500,000 Syrian pounds, a reduction of over 1,500,000 Syrian pounds from the 1933 figure.

Outstanding Currency Issues (Vice Consul Daniel Gaudin, Jr., Beirut, 7/11/34)

The Banque de Syrie et du Grand Liban reports the monetary circulation amounted to 12,000,000 Syrian pounds on June 20, 1934, as against 11,150,000

pounds on June 30, 1933. (One Syrian pound equals 20 French francs.) This increase is ascribed by some to the fact that the Turkish gold pound, equal in 1933 to 555 Syrian piasters, dropped to 549 Syrian piasters during the first 6 months of 1934. This led the Banque de Syrie et du Grand Liban to buy gold pounds for shipment to France. Although statistics on gold shipped to France are not available, it is believed that the surplus of outstanding issue was thus employed.

TURKEY

(One Turkish pound is equal to 12.06 French francs
or on August 8 = \$0.7993)

Approved Budget Expenditures for 1934-35 (Ambassador Robert P. Skinner,
Istanbul, 6/6/34)

The Turkish budget for the year ending May 31, 1935, as finally approved by the National Assembly, increased the total expenditures to Lt.184,075,-636 from Lt.173,780,727, their amount as originally presented. Expenditures for defense, Lt.53,251,621, and for debt service, Lt.44,836,736, together account for over 53 percent of total forecasted disbursements in 1934-35.

Under main heads or by spending departments, the principal groups of 1934-35 expenditures, in thousands of Turkish pounds, are given as follows: Defense, 53,252; debt service, 44,837; Ministry of Public Works, 12,403; Ministry of Finance 12,246; Ministry of Public Instruction, 8,711; military police (Gendarmerie), 8,679; Ministry of Justice, 8,663; other expenditures, 35,285.

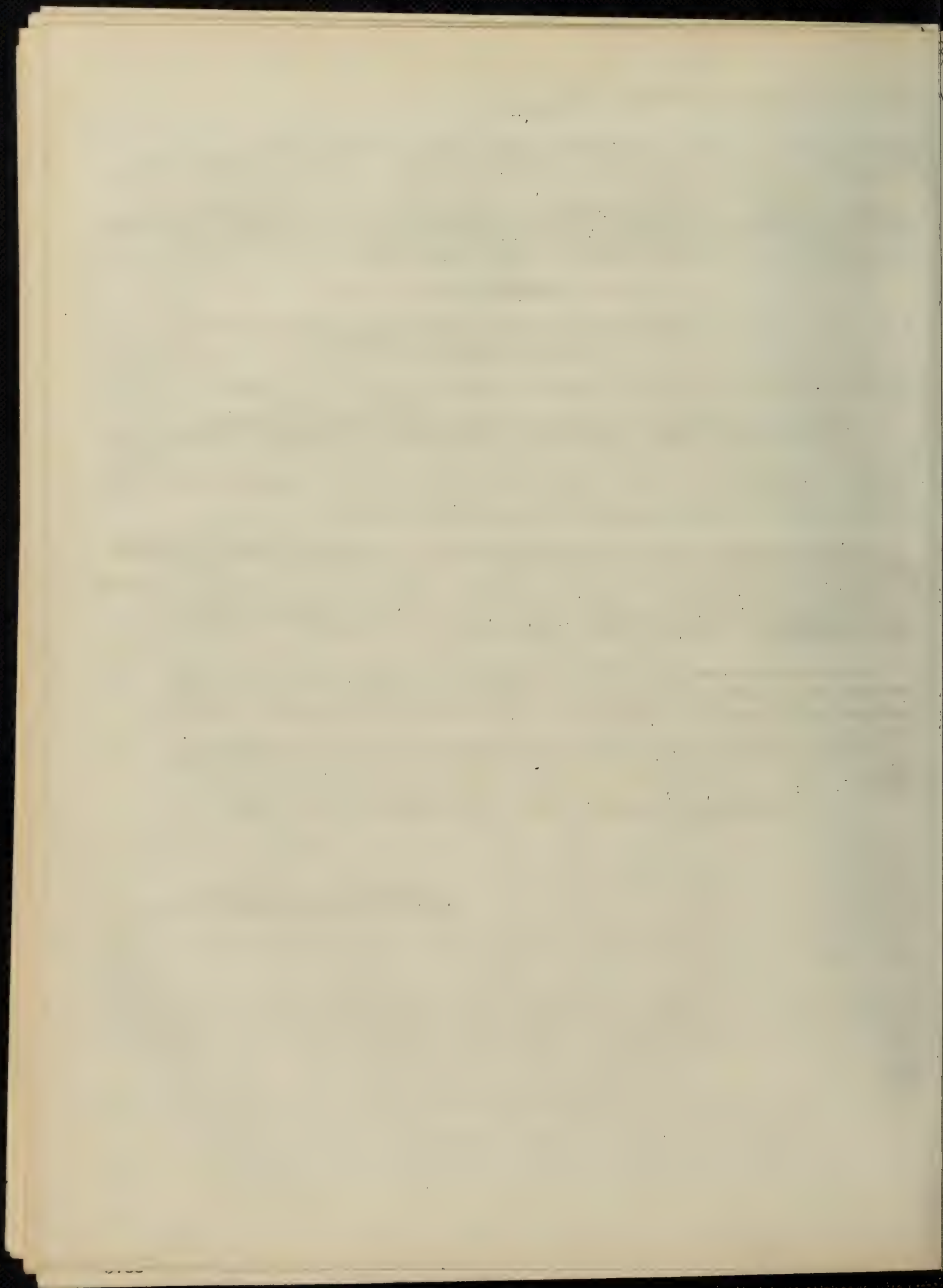
It should be noted that there is a separate Ministry of Monopolies and Customs, which exercises functions discharged by finance ministries in most countries and for which expenditures of Lt.4,962,455 are provided in 1934-35.

Total expenditures of the Ministry of National Defense, Lt.53,251,621, are apportioned, in thousands of Turkish pounds, as follows: Army, 40,965; aviation, 4,584; navy, 3,809; munitions plants, 3,291, map making, 603.

(See Far Eastern Financial Notes 163, dated August 5, 1934.)

Grosvenor M. Jones, Chief
Finance and Investment Division

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DEPARTMENT OF COMMERCE
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AUSTRALIA

(On August 25 one pound = \$4.0391)

Australian Government Finance, 1933-34 (Asst. Trade Commissioner Wilson C. Flake, Sydney, 7/24/34)

Published statements, giving details of Australian Government finance for the year ended June 30, 1934, show in the aggregate a decreased deficit for the States compared with the previous year. The Commonwealth is the only government to show a surplus although this was substantially smaller than in 1932-33. However, when the budget was presented to the Federal Parliament in October 1933, a deficit was anticipated. All the States, with the exception of Victoria and Western Australia, have kept their deficits well within their budget estimates, and even in these two States, these estimates have been exceeded by small amounts only.

The Commonwealth surplus for the year ended June 30, 1934, amounted to approximately £1,301,616, as compared with the deficit of £1,176,490 budgeted for, an improvement of £2,478,000 over that anticipated. The budget did not include £3,045,000 provided during the year for relief to wheat growers, of which £1,254,000 was obtained from the flour tax. Relief to wheat growers thus absorbed £1,791,000 of the ordinary revenue. The total expenditure for the year, including wheat relief, was £72,647,000, as compared with the estimated expenditure of £72,801,000.

The surplus realized in Commonwealth accounts has been principally due to the large increases in customs and excise revenue, as compared with the budget estimate, although increases from sales tax, estate duties, and the post office have also helped. The chief increases were:

Customs and excise	£2,067,000
Sales tax	896,000
Land tax	75,000
Estate duties	381,000
Miscellaneous revenues	205,000
Post office	406,000
Total	<hr/> 4,030,000

State Accounts

The New South Wales deficit was approximately £300,000 below the original budget estimate, and net results for the year 1933-34 showed an improvement of approximately £600,000 compared with the previous year. In comparison with 1932-33, revenue fell by £3,415,310, largely due to decreases in railway revenue and revenue from taxation, as reductions in railway fares and freights and taxation concessions were made, either when the budget was introduced or later in the year.

Queensland showed the next greatest improvement, the deficit at £1,128,530 being £719,872 less than the budget estimate of October, and approximately £425,000 less than that of 1932-33.

South Australia, with a deficit of £838,000, kept well within the amount of £933,000 budgeted for and showed an improvement of £171,000 over the net results of the previous year. Compared with the previous year, the only item in which there was a large decrease of revenue was railways, the decline being £170,000.

Tasmania's deficit was £47,885, the budget estimate being £50,732.

Both Victoria and Western Australia exceeded the deficits estimated in their budgets, but kept within the Loan Council's limits. Western Australia showed a deficit of £788,912, compared with £748,465 budgeted for and one of £864,081 in the previous year. Victoria's deficit is estimated at £795,000, in comparison with the original budget estimate of £700,000 and a deficit of £841,501 in 1932-33.

Federal Budget for 1933-34 (Asst. Trade Commissioner Wilson C. Flake, Sydney, 7/7/34).

The Federal Government's budget for 1934-35 (the 12 months commencing July 1 1934) has not yet been announced. It is expected that it will be presented to Parliament toward the end of July. In the meantime, the Assistant Treasurer has announced in Parliament that preliminary figures for 1933-34 show a surplus of £1,301,616. The Government had budgeted for a deficit of £1,176,490, but the increase in customs revenue more than made up this deficit. Total revenue was £73,948,524, and expenditure £72,646,908.

When the budget for 1933-34 was first arranged, it did not include any provision for relief to wheat growers, which was subsequently granted. During the year £3,045,000 was provided for that purpose, of which £1,254,000 was obtained from the flour tax temporarily imposed to partly cover this expenditure. Excluding this item, the improvement in the budget was £4,269,000.

Larger Banking Deposits in Australia (Asst. Trade Commissioner in Charge Wilson C. Flake, Sydney, 7/23/34).

Aggregate deposits in the 10 trading banks of Australia averaged £296,972,126 in the quarter ended June 30, 1934, as compared with £291,321,642 in the previous quarter and £274,688,861 in the quarter ended June 30, 1933. The ratio of cash to deposits was 17.9 per cent, 16.4 per cent, and 15.0 per cent, respectively.

This increase in deposits has been attributed to the lack of attractive outside investments, considerable money having been placed with the banks on fixed deposit, despite recent reductions in interest rates.

Rural Bank of New South Wales Reduces Interest Rate (Various sources)

In keeping with the general downward trend of interest rates, the Rural Bank of New South Wales has reduced its maximum rate of interest to borrowers to 4 3/4 percent. In 1931 the rate was 6 3/4 percent. On June 30, 1933, the Rural Bank had loans of £13,920,729 outstanding. The action of the Rural Bank of New South Wales has followed a reduction of interest during the past month or so by other banks in Australia.

BRITISH INDIA

(On August 25 one rupee = \$0.3806)

Indian Financial Developments (Various sources)

The week's sale of treasury bills amounted to 15,000,000 rupees at the average rate of Rs. 0-12-4 per annum. The total amount offered was 36,525,000 rupees. Tenders at Rs. 99-12-9 and above were accepted in full and those at Rs. 99-12-6 received approximately 28 percent. It was announced that intermediate 3-month treasury bills would be sold from July 18 to 23 at Rs. 99-13-3.

The gold market continued quiet but steady. Ready was quoted around Rs. 34-4-6 during most of the week ending July 21 and finally closed at Rs. 34-4-0. Stocks on hand are estimated at 300,000 tolas, arrivals from up-country amount to 10 to 15,000 tolas per day and the daily offtake is approximately 3,000 tolas. Exports from Bombay to Europe and American totaled 8,878,000 rupees. Imports during the week amounted to 64,580 rupees in bar and coin.

The silver market was weak, with only a small volume of business transacted. The price of ready fluctuated within a small margin around 57-8-0 rupees during the entire week, and the daily offtake and stocks on hand continued unchanged. Imports during the week amounted to 38 bars and 20,675 rupees in coin. According to a report, 1,376 ingots valued at about 2,253,490 rupees were shipped to London during the week on Government of India account.

(Over)

Debenture Loan of 5,000,000 Rupees (Trade Commissioner C. E. Christopher, Calcutta, 7/19/34).

It has been announced in the press that the Calcutta Improvement Trust will call for tenders in connection with the issue of a debenture loan of 5,000,000 rupees. The loan will run for 30 years, with interest at 4 percent. It is planned to use these funds for the improvement of certain districts and for the widening of existing streets and the opening up of new streets in the City of Calcutta.

Exchange Rates (Various sources)

The rupee-dollar exchange fluctuated during the week ended July 14 as follows:

<u>Date</u>	<u>Selling</u>	<u>Buying</u>
July 9	264 $\frac{1}{4}$	262 $\frac{1}{2}$
10	264 $\frac{1}{4}$	262 $\frac{1}{2}$
11	264 $\frac{1}{4}$	262 $\frac{1}{2}$
12	264 $\frac{1}{4}$	262 $\frac{1}{2}$
13	264 $\frac{1}{2}$	262 $\frac{3}{4}$
14	264 $\frac{1}{2}$	262 $\frac{3}{4}$

Money Market Easy (Various Sources)

Money continued abundant with interbank call rates at one-half of 1 percent in Calcutta. One to two month money was quoted at $1\frac{1}{4}$ percent, 3-month at $1\frac{1}{2}$ percent and 6-month at 2 percent. Funds continue to flow into the market from government operations without any corresponding offtake. A moderate amount of treasury bills were paid off during the week.

Government ways and means advances with the Imperial Bank now total 135,000,000 rupees, while outstanding treasury bills amount to about 120,000,000. The statement of the Imperial Bank of India of July 6 shows a decline of 12,684,000 rupees in the cash balance, which amounted to 208,776,000 rupees on that date as compared with 204,600,000 rupees at the corresponding date last year.

Imperial Bank Declares Dividend (Various sources)

The Governors of the Imperial Bank of India at a meeting of the Central Board on July 9 declared a dividend to shareholders for the half year ended June 30 at the rate of 12 percent per annum, payable on and after July 16. Profits available, including 2,685,000 rupees brought forward from the previous half year, amounted to an approximate total of 7,061,000 rupees, which was disposed of as follows: payment of 12 percent dividend, 3,375,000 rupees; transfer to reserve fund, 500,000; transfer to pension fund, 72,700; carried forward to next half year, 3,113,000.

Imports of Silver at Bombay during June (Consul Dayle C. McDonough, Bombay, 7/26/34).

Total imports of silver into Bombay during June amounted to 226,601 ounces valued at 347,796 rupees (\$132,159), as compared with total imports of 453,398 ounces valued at 1,171,936 rupees (\$445,179) during May 1934.

There was considerable activity in the local silver market during the month and cabled news concerning silver legislation in the United States, as well as information concerning developments in important silver markets such as New York and Shanghai, served as a bullish stimulus in the local market. The increase in prices at Bombay is directly attributed to the more favorable demand in general for silver and to the possibility of the U. S. Treasury's purchasing large quantities. Local opinion seems to be that silver prices will continue to rise.

Spot silver was quoted at Rs. 54/5/ - (\$20.63) per 100 tolas (40 ounces) at the beginning of June and increased to Rs. 55/7/ - (\$21.05) by the middle of the month. The spot rate later increased to Rs. 58/2/ - (\$22.10) and closed at the end of June at Rs. 57/14/ - (\$22.). It is reported that prices would have increased even more had not rather large quantities of bullion been smuggled into the country in order to avoid payment of the import duty.

It is estimated that the total stock of silver bars in Bombay at the end of June was approximately 11,500, which is somewhat above normal.

Gold and Silver Market (Various Sources)

Gold prices fluctuated within narrow limits during the week ended July 14. Ready opened at Rs. 34-2-0 and closed at Rs. 34-6-0 at the end of the week. Banks purchased to some extent for export, and it is reported that a fair amount of inter-bazar business was placed for forward deliveries. Stocks on hand, upcountry arrivals, and daily offtake continue unchanged. Exports from Bombay to Europe and America totaled 13,857,000 rupees. Total imports during the week amounted to 54,670 rupees in bar and coin.

The silver market was steady throughout the week with a slight decline in prices. The price of ready after opening at Rs. 57-12-0 advanced to Rs. 58-7-0, but finally closed at Rs. 57-11-0. The daily offtake was reduced to 25-30 bars, while stocks on hand are estimated at about 9,000 bars. Imports during the week amounted to 3,500 rupees in coin.

CHINA

(On August 25 one yuan = \$0.3514)

China's Budget for Fiscal Year Ending June 30, 1935 (Various sources)

The budget has been officially announced by the Directorate of Budgets, Accounts, and Statistics of the National Government, expenditures and revenues being estimated as follows:

<u>Estimated Revenue</u>	(Yuan)	:	<u>Estimated Expenditures</u>	(Yuan)
Salt revenue	190,353,851	:	Party expenses	5,785,464
Customs revenue	360,413,791	:	Administrative expenses	14,112,281
Tobacco and wine	23,104,878	:	Military expenses	307,750,911
Stamp tax	12,884,286	:	Internal (civil)	
Consolidated tax	116,599,299	:	administration	5,475,861
Mining tax	2,724,979	:	Diplomatic expenses	9,026,881
Stock and commodity		:	Finance administration	69,192,811
exchange tax	100,000	:	Education expenses	19,034,481
Banking tax	1,600,000	:	Judiciary expenses	3,057,911
Income from national		:	Industrial administra-	
property	5,704,878	:	tion	4,294,391
6810	(Over)			

<u>Estimated Revenue</u>	(Yuan)	<u>Estimated Expenditure</u>	(Yuan)
Profits of Government enterprises	21,248,860:	Communications administration	5,204,252
Administrative revenue	12,517,086:	Mongolia and Tibet administration	1,451,604
Quota from Provinces	12,948,000:	Construction expenses	11,794,974
Loan receipts	9,784,294:	Subsidies	44,559,935
Other income	7,318,029:	Pensions, etc.	5,761,665
	:	Loan services	257,530,231
Total	777,302,226:	2nd Preparation (reserve) Fund	13,268,561
	:		
	:	Total	777,302,226

The loan service item is detailed as follows:

	(Yuan)
Amortization of principal and interest on domestic loans	137,935,185
Amortization of principal and interest of foreign loans	49,357,288
Boxer Indemnity Payments	38,872,156
Administrative expenses for loan redemptions	315,810
Loans	21,049,792
Reorganization reserve fund for readjustment of domestic and foreign loan services	5,000,000
Reserve fund	5,000,000
Total	257,530,231

Comments in the vernacular press criticize the large military budget and the growing loan service fund on the ground that the heavier taxation on the consumer from increased tariffs and consolidated taxes are an undue burden on the consumer without remedying basic economic conditions. The loan service fund is criticized as inviting bank investment in Government bonds rather than in constructive enterprises.

In a statement to the press, Dr. H. H. Kung, Minister of Finance, said that both the salt revenues and the consolidated tax revenues show increases, even during the present summer months when such revenues might be expected to drop. The Bureau of the Consolidated Tax of the Ministry of Finance has announced that January-June gross revenues of the Bureau were 58,795,000 yuan, as compared with 44,063,000 yuan for the corresponding period of 1933, and that gross revenues of the Bureau for 1933 totaled 112,000,000 yuan as compared with 91,000,000 in 1932. Such increases, it is intimated by the Finance Minister, justify a larger military outlay.

Exchange Rates of Yuan and Customs Gold Unit during July (Acting Commercial Attache A. Bland Calder, Shanghai, 8/3/34.)

During July the average rate of exchange (telegraphic transfers on New York, daily opening rates) in terms of U. S. currency was \$0.336576. The average rate of exchange for the customs gold unit in terms of U. S. currency, as compiled by the Central Bank of China, was \$0.6769565.

Average monthly rates so far this year for these two units are as follows:

<u>Month</u>	<u>Yuan</u>	<u>Customs Gold Unit</u>
January	\$0.3235	\$0.6447
February	.3393	.6726
March	.3429	.6770
April	.3396	.6786
May	.3225	.6773
June	.3275	.6775
July	.3366	.6770
Average for 7 months	.3331	.6721

Chinese Note Issues (Acting Commercial Attache A. Bland Calder, Shanghai, 8/3/34).

The total outstanding note issue of the 10 Chinese note-issuing banks in Shanghai at the end of June was 352,370,000 yuan, an increase of more than 15,000,000 over the previous month and nearly 73,000,000 greater than on June 30, 1933.

Customs gold unit notes, as issued by the Central Bank of China, outstanding at the end of June, totaled 373,324.

Central Bank Opens Branch at Chinghai (Chinese Economic Bulletin, 7/7/34).

In view of the large accumulation of silver in Shanghai and the resultant collapse of rural economy, the Central Bank of China has decided to establish a branch at Chinghai. An appropriation for initial working capital of the branch has been fixed at 2,000,000 yuan, of which 1,000,000 yuan will be notes issued by the bank, and the remainder in currency to be transported to Chinghai in installments. The next branch to be opened in the Northwest Provinces will be in Sinkiang, and others will follow as soon as the projected highways have been completed.

Chinese Government Bond Market (Various sources)

Chinese Government bonds registered record high prices at the end of July, the index of 10 secured issues as prepared by a local American investment security house, registering 108.69 on July 31, the rise being fairly steady from 102.04 on June 30. Steadiness in the Government financial situation, a brighter outlook for peaceful conditions in North China, the continuation of the Government's successful military campaign against communist-controlled areas in Kiangsi, and the pending promulgation of the Savings Bank Law, which will require savings banks to invest 25 percent of their funds in Government bonds, are listed as factors contributing to this rise.

Common Stock Index (Various sources)

The index of 20 common stocks of Shanghai enterprises resumed a downward course during July, reflecting the unpropitious conditions surrounding industry. Increased interest was manifested in debentures and Government bonds. From 65.74 on June 30 the common-stock index followed a rather steady downward course to 63.99 on July 31.

Chinese Views on Nationalization of Silver in the United States (Acting Commercial Attache A. Bland Calder, Shanghai, 8/20/34).

The Minister of Finance called a conference at Juling over the week-end, of advisers, silver experts, and leading Chinese bankers to consider American nationalization of silver and its effect upon China. An interview given by Minister Kung prior to his departure from Shanghai indicates that he favors the nationalization of silver in China but regards such action as impossible, owing to extra-territoriality. He considers it unnecessary at present time for the Chinese Government to place either an embargo or an increased export tax on silver. Chinese bankers, however, are clamoring for governmental action, lest further flow of silver affect the value of bank notes in circulation. Unofficial estimates place exports of silver from Shanghai in the period from August 1 to 20 at 60,000,000 yuan. This amount exceeds total exports of silver for the period January to July, inclusive. However, the movement appears to be governed by parity rates between London and Shanghai, making it profitable to export silver at this time, rather than to any direct effect of nationalization of silver by the United States.

Chinese Silver Statistics (Acting Commercial Attache A. Bland Calder, Shanghai, 8/24/34).

Published customs figures for the period January 1 to July 31 show that silver exports from Shanghai amounted to 56,000,000 yuan. Best available unofficial estimates indicate that exports from August 1 to 9 totaled 5,000,000 yuan, and from August 9 to August 25, 55,000,000 yuan. On July 31 Shanghai silver stocks in foreign and Chinese banks were estimated at approximately 550,000,000 yuan, as compared with 573,000,000 one month previous. Present stocks are 171,000,000 yuan heavier than on August 21, 1930.

EGYPT

(One Egyptian pound = 1.01572 times one pound sterling or on August 25 = \$5.1462)

Egyptian Budgetary Estimates for 1935-36 (Charge d'Affaires a. i. C. Van H. Engert, Cairo, 7/21/34).

A circular has been issued by the Egyptian Ministry of Finance to all Government departments, containing instructions regarding the preparation of the budgetary estimates for 1935-36. After pointing out that "the balancing of the 1934-35 budget was not an easy task", the circular enjoins the strictest economy in the preparation of the estimates for 1935-36. It points out that inasmuch as "in fulfillment of Parliamentary wishes" certain additional expenditures for education, agriculture, public health, etc., are unavoidable, economies in other items must be effected.

The most interesting item in the circular is the requirement that all expenditures for new public works should be submitted on the basis of a 5-year program for such new works, showing the credits required for their execution in each of the 5 years, and estimated with sufficient accuracy to avoid subsequent modification. All estimates of revenue must be submitted not later than October 1, 1934, and those of expenditure not later than November 1, 1934.

Increase in Savings Accounts (Commercial Attache Charles E. Dickerson, Jr., Cairo, 7/16/34).

Mention has been made of the large increase in savings accounts in Egypt this year as a symptom of recovery. The total of such accounts at the end of May 1934 was more than £E. 2,000,000 greater than at the close of May 1933.

HONG KONG

(On August 25 one dollar = \$0.3906)

Revenues and Expenditures (Consul General Douglas Jenkins, Hong Kong, 6/20/34).

The annual report of the Colonial Treasurer of Hong Kong for the year 1933 shows that the total revenues of the Colony for the year amounted to HK\$32,099,278, while the expenditures totaled HK\$31,122,715, leaving a surplus of HK\$976,563. The corresponding figures for 1932 were: revenues, HK\$33,549,716; expenditures, HK\$32,050,283; and surplus, HK\$1,499,433. Many items of revenue fell below the respective estimates; in fact, the actual revenue for the year was HK\$1,500,000 less than originally estimated when the budget was prepared.

Bank Notes in Circulation and Specie in Reserve in Hong Kong during June (Consul L. H. Gourley, Hong Kong, 7/7/34).

The following figures show the average amount of bank notes in circulation and of specie in reserve in Hong Kong during the month of June 1934. The figures have been certified by the managers of the respective banks.

Bank	Average amount HK\$	Specie in reserve HK\$
Chartered Bank of India, Australia and China	16,623,619	8,300,000 ^{1/}
Hong Kong and Shanghai Banking Corp.	153,388,151	140,000,000 ^{2/}
Mercantile Bank of India, Ltd.	1,365,412	1,350,000 ^{3/}
Total	171,377,182	149,650,000

- ^{1/} In addition, sterling securities are deposited with the Crown agents valued at £744,100.
- ^{2/} In addition, securities deposited with the Crown agents and Straits Government valued at £3,284,000.
- ^{3/} In addition, securities deposited with the Crown agents valued at £190,000.

Imports and Exports of Gold and Silver (Consul Louis H. Gourley, Hong Kong, 8/13/34).

From January to July 1934, imports of gold bars and ingots at Hong Kong totaled HK\$10,642,000, while exports amounted to HK\$47,470,000. Of the imports HK\$7,330,000 came from Siam and HK\$2,860,000 from French IndoChina. The exports

were distributed as follows: HK\$39,533,000 to the United States, HK\$7,262,000 to Great Britain, and the balance to British Malaya. There were no recorded imports of gold coin, while exports amounted to HK\$473,000.

Imports and exports of silver bars and coins during the 7-month period were as follows (in Hong Kong dollars):

<u>Imports - Total</u>	<u>3,490,000</u>	<u>Exports - Total</u>	<u>3,796,000</u>
From U. S.	1,627,000	To Great Britain	2,057,000
From North China	1,847,000	To United States	1,696,000
All other countries	466,000	All other countries	43,000

Imports of silver coins totaled HK\$9,561,000, practically all from French Indochina, Kwongchow, and Macao, while exports amounted to HK\$3,532,000, most of which was shipped to China and Great Britain.

JAPAN

(On August 25 one yen = \$0.3004)

Government Specie Reserve Increases (Various sources)

Since the enactment of the Gold Purchase Bill in April 1934, the Bank of Japan has increased its specie reserve by more than 40,000,000 yen. From April 25 to July 2, a period of 70 days, the bank purchased in Japan 10,100 kilograms of gold, for which it paid 29,800,000 yen. Previous to the passage of the Gold Purchase Bill, the bank had bought approximately 12,700 kilograms of gold valued at 34,000,000 yen. This gives a total of 22,800 kilograms valued at 63,800,000 yen. This gold has been transferred, according to the bank's report, to the specie reserve, on the basis of 1 yen per 750 milligrams, in accordance with provisions of the existing currency law. This raises the specie reserve as of July 2 to 459,504,000 yen, an increase over April 25 of 34,435,000 yen.

Practically the entire amount of the 22,800 kilograms of gold purchased since April 25 by the Bank of Japan came from gold suppliers in Japan proper. The report indicates that the amount of gold supplied to the Bank of Japan through the Bank of Chosen was worth only a little more than 300,000 yen, while not one single ounce has been supplied through the Bank of Taiwan. The fact is interpreted as meaning that the gold producers in Chosen and Taiwan have continued to smuggle the gold out of these territories to Manchuria and other countries, due to the fact that the prices abroad are higher than the Bank of Japan has been paying.

Under the present Gold Purchase Law, the Government is limited to 10,000,000 yen for loans to the Bank of Japan to compensate the bank's loss in buying gold arising from the difference between the current market quotation and the legal value of 5 yen per momme. Reports indicate that the Finance Office authorities are contemplating introducing a bill into the next Diet extending the limit of 100,000,000 yen to 200,000,000 yen, as the former figure is considered inadequate. As pointed out above, the bank has already purchased 63,800,000 yen worth of gold since the new law went into effect, and as the volume of gold being bought under that law is steadily increasing, the bank will soon exhaust the legal limit of compensation and will therefore be unable to continue buying gold.

Bank Deposits Continue Increase (Various sources)

According to a report issued by the Tokyo Bank Clearing House, deposits in all clearing-house banks in Japan on June 30 amounted to 6,857,242,000 yen, which is an all-time record, showing an increase of more than 15,000,000 yen over the end of May, and of 376,427,000 yen compared with the end of June last year. This continued advance in deposits is attributable to the larger Government disbursements returning to the banks as deposits instead of remaining in circulation.

Loans at the end of June amounted to 4,979,861 yen - a drop of 30,000,000 yen from the end of May, and a decrease of 238,053,000 yen from the end of June 1933.

Security holdings at 4,027,564,000 were the highest on record and showed an increase of 550,046,000 yen over the end of June 1933, and 23,000,000 yen more than the former high figure witnessed at the end of May. This increase in the volume of bonds and debentures is the result of the heavy pressure of accumulated idle funds that the banks have been more or less forced to invest.

Syndicate Banks will Underwrite Manchurian Bond Issue (Various sources)

Announcement was made on July 18 that the syndicate banks in Japan had decided to underwrite a bond issue of the new government in Manchuria amounting to 10,000,000 yen, these funds to be used for constructing water-works, city-planning projects, road building, etc. The total amount of the issue is 10,000,000 yen; interest is 4 percent per annum; selling price, 98 yen; redemption, within 13 years. The first application for the proposed loan was in the form of municipal loans, but it was later decided to change the loans to Manchurian national bonds, in view of the fact that the local financing in the Manchurian cities is not yet fully established. Four percent bonds were found preferable to 5 percent, as the former strengthens the financial status of the new Manchurian government, and its previous issue bearing 5 percent interest is now being offered at a 2 yen premium in the market.

South Manchuria Railway Bonds Oversubscribed (Various sources)

The 40,000,000 yen of 15-year $4\frac{1}{2}$ percent debentures recently offered by the South Manchuria Railway Company were oversubscribed more than 10 times. Half of the total was taken up by the syndicate banks and the other half was offered to the public through the Japan Industrial Bank and security dealers. Reports indicate that buying offers received by the Japan Industrial Bank for the 20,000,000 yen offered to the public amounted to 88,000,000 yen, while the subscriptions filed with security dealers reach 120,000,000 yen. The popularity of this issue of South Manchuria Railway bonds is quite in contrast with that experienced last autumn, when a similar issue was barely absorbed. The reason for the change in attitude toward $4\frac{1}{2}$ percent bonds is found in the fact that banks have been more or less limited for some time to 4 percent issues, and naturally received this higher interest-bearing investment with considerable enthusiasm.

New Debentures Issued (Various Sources)

During the first week of the July the following were among the new debenture offerings announced:

Oji Paper Manufacturing Company, which will shortly issue 20,000,000 yen of debentures carrying 4.3 percent interest to replace the 5.5 percent issue. These debentures are to be redeemable in 6 years, and are to be underwritten by the syndicate banks. No mortgage is to be offered.

South Manchuria Railway Company is to offer 40,000,000 yen of debentures at 4.5 percent at par, redeemable within 15 years, beginning with the fourth year.

Tokyo Municipality will issue 44,000,000 yen of debentures for funding purposes, at 4.3 percent and at par; redemption within 22 years. The entire issue will be underwritten by syndicate banks.

Mitsubishi Heavy Industry Company Offers Shares to Public (Various sources)

The Mitsubishi Heavy Industry Company was recently established through the amalgamation of the Mitsubishi Dockyard Company and the Mitsubishi Airplane Works. This company has an authorized capital of 55,000,000 yen, with a total of 1,100,000 shares valued at 50 yen per share, all paid up. Announcement was made on July 16 by the Mitsubishi Goshi Kaisha that 400,000 shares will be offered to public subscription at 65 yen per share.

Japanese Money Market (Cable from Commercial Attache Frank S. Williams, Tokyo, 8/13/34).

Reports indicate that traders anticipate appreciable increases in budgetary allotments which will necessitate heavy bond issues and will assure continued industrial activity and an active security market.

The money market was slightly tighter as a result of heavy buying of Government 4 percent bonds by commercial banks through the Bank of Japan. This is reflected in the decrease in the deposit reserves of the Tokyo clearing banks, which declined approximately 300,000,000 yen from the end of June to August 4.

Nationalization of silver by the United States is not expected to have any effect in Japan. If, however, this is the forerunner of further depreciation in the dollar, Japanese currency will be decidedly affected. The press reports that officials of the Finance Department and of the Bank of Japan have agreed on a continuation of the present currency control, the maintenance of present conditions in the money market, and the encouragement of the market for national bonds.

Treasure Follow Imports and Exports during January-June Period (Various sources)

Gold and silver exports during the period January to June 1934 amounted to 4,024,000 yen, against 14,324,000 yen for the corresponding period of 1933. Imports were 364,900 yen, against 144,000 yen for 1933.

NETHERLAND EAST INDIES

(On August 25 one florin or guilder = \$0.6878)

Revenue Received during First 4 Months of Current Year (Various sources)

The General Treasury has issued a statement published in the Economisch Weekblad, which reviews the position of revenue received during the first 4 months of the current year. Similar data regarding expenditures are not yet available.

Total revenue for the first 4 months of 1934 amounted to 118,900,000 guilders, compared with 116,700,000 in the corresponding period of last year and 132,200,000 in 1932 and with 156,900,000 in the like period of 1931. The gain of more than 2,000,000 over the first 4 months of last year is entirely accounted for by increased receipts from the productive enterprises (entirely from the exploitation and sale of tin). No really significant changes appear otherwise within the general classifications, but the total returns from import duties actually declined from 15,700,000 to 15,000,000 for this 4-month period, in spite of the fact that the substantially higher new tariff schedule (imposed for revenue purposes) became effective on January 10, 1934.

Slight as it is, the increase in the total revenue for this period of the current year may be considered as a very encouraging feature, and is so viewed locally.

Government Budget Presented to Volksraad (Trade Commissioner Charles E. Brookhart, Batavia, 7/17/34)

The Government budget for 1935 has been presented to the Volksraad and is now before that body for discussion.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U.S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

President of Senate States No Need for Change in Currency (Trade Commissioner Carl E. Boehringer, Manila, 8/18/34).

On August 15, Senor Quezon, President of the Philippine Senate, made the following statement relative to reports of possibility of depreciating peso: "There is no foundation for the belief that a change in Philippine currency is being contemplated. Finances of the Philippine Government have never been in sounder condition, and there is, therefore, no need for such a change."

Government-Operated Philippine National Bank Reports Large Net Profit (Acting Trade Commissioner Carl H. Boehringer, Manila, 7/25/34).

The Philippine National Bank will pay the Insular Government 2,427,790 pesos, to be applied on its loan from the Government under the Bank Rehabilitation Act. This amount represents 75 percent of the bank's net profit for the first 6 months of 1934. Due to recoveries of 2,200,088 pesos on old obligations

6810 (Over)

that had been written off, the bank made a total net profit of 3,237,153 during this period. The reversion of three-fourths of the bank's net profits to the Insular Government was approved by the board of directors of the bank last Friday. The payment has been approved by Governor-General Frank Murphy.

SIAM

(One baht = 1/11 of a pound sterling, or on August 25 = \$0.4606)

Exportation of Gold from Siam (Minister James M. Baker, Bangkok, 6/11/34).

Recent publicity has been given a report of the Banque de l'Indochine showing that Indochina, which has no official statistics of gold exports, exported gold to the value of some 13,000,000 piasters in 1932 and about 10,000,000 in 1933. The total for the 2 years would, according to a local newspaper, be equivalent to about 32,000,000 ticals.

Siam, with three-fifths of the population of Indochina, exported in the year ended March 31, 1933, 24,939,994 ticals and in the year ended March 31, 1934, 14,123,355 ticals of gold. At the average annual exchange rates for the 2 years, \$0.325 and \$0.41, respectively, these amounts would total \$13,092,651. Imports of gold were negligible.

These figures reveal that the tendency of Siam's free gold supply to diminish has reached serious proportions. In the cases of both Siam and Indochina the decline in exports in the latter year appears to be evidence of approach to exhaustion of the supply.

The Saigon "Opinion", in commenting on the heavy drainage of gold from Indochina, expressed the belief that the gold represented jewelry bought from peasants, who in selling it did not even get even two-thirds of its value. The same situation would apply in Siam, where gold has been highly prized by all classes for centuries and where very little has ever been mined. The gold in Siam is bought up by Chinese, who have canvassed widely in making purchases, and is usually taken by a European from Bangkok to Penang by train for shipment to Europe, gold to the value of a few hundred thousand ticals being taken on each trip. The ultimate destination of the gold so exported is not generally made known.

The British Adviser to the Ministry of Finance, while insisting upon a stable currency -- the tical has been maintained at a ratio of 11 to 1 with the British pound since Siam left the gold standard on May 11, 1932 -- has not in his reports suggested any measures for restriction of the outflow of gold, although he did state in his report issued July 26, 1933, that "a considerable slowing down in the outflow of gold has set in in the past few months". There has not been an official expression of concern on the part of the Siamese Government.

Since Siam's departure from the gold standard, the ratio of 11 to 1 with the pound (which was the ratio from 1928 to 1931 while both Great Britain and Siam were on the gold standard) has been maintained without interruption, and the country has maintained a sound financial situation, although rumors of devaluation of the tical by changing the ratio have tended to affect the financial position of the country slightly.

STRAITS SETTLEMENTS

(On August 25 one dollar = \$0.5938)

Straits Settlements Financial Notes (Trade Commissioner Julian B. Foster, Singapore, 6/30/34).

Exchange

The exchange between New York and Singapore was on an even keel during the month of June. Practically no fluctuation of any importance took place. The bank selling rate on Paris fell from 898 on June 1 to 892 on June 23.

Budget Operations

A statement just issued by the Government, shows that the revenues of the Straits Settlements from January 1, 1934, to March 31 amounted to S\$7,750,792, as against an estimate in the budget for this period of S\$7,128,346. On the other hand, expenditures amounted to S\$7,211,778, as against the estimate of S\$8,496,214. Revenues for the State of Johore for the first 4 months of 1934 were S\$4,782,000, as compared with an estimate of S\$3,373,000. On the other hand, although Johore had estimated expenditures at S\$4,500,000, they amounted to only S\$3,322,000. The same conditions, relatively speaking, apply to the other Malayan States.

Banking Credits

Banks in British Malaya now are beginning to ease up on overdraft requests. It is definitely felt that for the rest of 1934, at any rate, financial conditions will be in a healthy shape.

Sir Basil Blackett's Currency Report (Trade Commissioner Julian B. Foster, Singapore, 7/30/34 and 8/1/34).

The long-awaited report on Malayan currency was made public at the meeting of the Legislative Council of the Straits Settlements on July 30, 1934. This report was made by Sir Basil Blackett, who has been studying this question for several months. Sir Basil Blackett was appointed in September 1933 to inquire and report whether, and if so, to what extent and under what conditions, the Malay States, Federated and Unfederated, should participate in the profits and liabilities of the Currency Commission of the Straits Settlements. The following is a condensation of the recommendations of Sir Basil Blackett. (A fuller summary may be borrowed from the Finance and Investment Division upon application.)

A Currency Commission in Malaya should be set up by legislation to be passed by each of the Governments of Malaya, and should consist of 5 persons nominated by the Governor and High Commissioner, of whom 2 should be nonofficials and 3 should be officials in the service, respectively, of the Colony, the Federated Malay States and the Unfederated Malay States.

II. The Commission should have its head office at Singapore, and should have power to establish offices at such other places as the Governor and High Commissioner might determine.

III. The Commission should be entrusted with the sole power of issuing currency notes and coin (including subsidiary coin) in Malaya, and only such notes and coin should have legal-tender privileges in Malaya. Currency notes and coin should be of the same denominations as at present authorized in the currency legislation of the Colony.

IV. The currency notes should not, as at present, be promises to pay in silver dollars. Instead, the Currency Commission should issue silver dollars (and half-dollars) or currency notes in exchange for sterling at the rate of 2s. 4 3/16d. per dollar and receive silver dollars (and half-dollars) or currency notes in exchange for sterling at the rate of 2s. 3 3/4 d. per dollar (as under sections 9 and 10 of the existing Currency Ordinance, No. 147).

V. All sums received by the Currency Commission for coin and notes issued by it should be paid into a Currency Guarantee Fund, and the Commission should be charged with the duty of managing this fund on lines similar to those at present followed, except that existing procedure might be simplified by doing away with the distinction between the liquid portion and the investment portion of the fund and the Commission relieved of any obligation to hold a minimum proportion of the fund in the form of silver coin. The rules governing the fund should provide simply that the Commission shall so manage the fund as to be in a position at all times to meet reasonable demands for silver dollars and half-dollars and for subsidiary coin, and to maintain the exchange value of the currency at the par value of 2s. 4d. per dollar.

VI. <u>Share of Liabilities</u>		<u>Percent</u>
<u>Colony of the Straits Settlements</u>		<u>37.00</u>
Perak	16.75	
Selangor	12.75	
Negri Sembilan	4.50	
Pahang	3.00	
<u>Total, Federated Malay States</u>		<u>37.00</u>
Johore	9.25	
Kedah	7.00	
Kelantan	5.25	
Trengganu	3.00	
Perlis	0.75	
Brunei	0.75	
<u>Total, Unfederated Malay States</u>		<u>26.00</u>

The scale should be subject to reconsideration at the end of quin-quennial periods, but should continue unchanged unless and until a new scale is agreed upon by administrations whose aggregate liability is not less than 75 percent of the whole under the above scale.

VII. The originating legislation should further provide that the liabilities of the Currency Commission of the Colony as of October 1, 1933, and the whole of the assets as of that date, less a sum of S\$21,500,000, should be transferred to the new Currency Commission for Malaya, and that as from the same date all transactions entered into by the Currency Commission of the Colony should be treated as being for and on account of the new Commission.

VIII. The opportunity should be taken to clear up various minor points of detail in the accounts as between the existing Currency Commission of the Colony and the Treasury of the Colony. For example, the existing book debt of the Colonial Government to the Currency Guarantee Fund, amounting to S\$2,538,263, should be liquidated, and the subsidiary coin (which on December 31, 1932 amounted to £5,072,924) held in the Singapore balance of the Colonial Government should be taken over by the new Currency Commission and its face value credited to the Colonial Treasury.

IX. All expenses of the Currency Commission for Malaya should be met from the Currency Guarantee Fund.

X. Reserve. - The Currency Commission of Malaya should be required by statute to keep a minimum reserve of not less than 15 percent in excess of the liabilities of the Currency Guarantee Fund; that is, it should be prohibited from distributing any surplus, so long as the reserve is less than 15 percent, and should be given discretion to keep such additional reserve over and above 15 percent as it may think fit; The value of the bullion contained in the silver coins in hand should never be reckoned at a figure higher than that of the lowest price for silver in the London market during the preceding 10 years. Subject to the maintenance of an adequate reserve, the Commission should be required from time to time to pay over any surplus to the credit of an All-Malaya (Currency Surplus) Fund to be held in the name of the Governor and High Commissioner.

XI. The sums standing to the credit of the All-Malaya (Currency Surplus) Fund subject to such charges, if any, as the participating governments may from time to time jointly agree to defray out of such fund, should be distributed to those governments in accordance with the scale set out in recommendation VI.

XII. In other respects the legislation establishing the Currency Commission for Malaya should follow generally, with the necessary modifications, the provisions of the existing Ordinance No. 147 governing the currency of the Colony, subject to the proviso that the rule-making power should reside not in the Governor-in-Council but in the Governor and High Commissioner.

If these recommendations are accepted, there will be no need for special urgency in introducing the new All-Malaya currency. The first step will be to arrange for the printing of new notes. When these are ready, they can be gradually put into circulation and the existing notes gradually withdrawn. The issue of new currency and the coinage of subsidiary silver coins can conveniently be postponed until the period of transition from the old to the new note issue has been smoothly surmounted. Needless expense would be involved in withdrawing the coins at present in circulation merely for the sake of replacing them by new all-Malayan coins.

It will be noted that the report recommends the right of all Malaya States to share in future liabilities and profits of an all-Malayan currency, but that it rejects the claim of the Federated Malay States to a share of retrospective profits.

TURKEY

(One Turkish pound = 12.06 French francs or on August 25 = \$0.8072.

Hungarian-Turkish Commercial Agreement (Ambassador Robert P. Skinner, Istanbul, 6/22/34.)

Hungary and Turkey concluded on April 18, 1934, a commercial agreement on the principle of balancing payments. This went into effect on May 1, 1934. The agreement is for a period of 6 months and may be extended by tacit approval for additional periods of 3 months. Denunciation can be made by one of the parties with one month's notice. It is specifically provided that the value of exports must balance during the term of agreement, and during the first period neither country shall export to the other goods to the value of more than 3,000,000 pengos. If a balance is not obtained during the 6 months, the period may be extended until the compensation has been effected.

There are two lists attached to the agreement: goods enumerated on List 1 may be imported freely into Turkey from Hungary; while merchandise on List 2 may only be imported within the limits specified for each article. Hungarian goods not on this list may be imported into Turkey in accordance with the general restrictions of the import quota law.

Turkish merchandise and commodities may be imported freely and without restrictions into Hungary, with the exception of Turkish coal, which may only be imported for the production of gas. Furthermore Hungary obligates itself to purchase Turkish dried fruits to the value of 600,000 pengos and rugs to the value of 200,000 pengos.

The clearing agreement of August 1, 1933, is extended for an additional period of 6 months.

UNION OF SOVIET SOCIALIST REPUBLICS
(One chervonetz at par = \$8.7127)

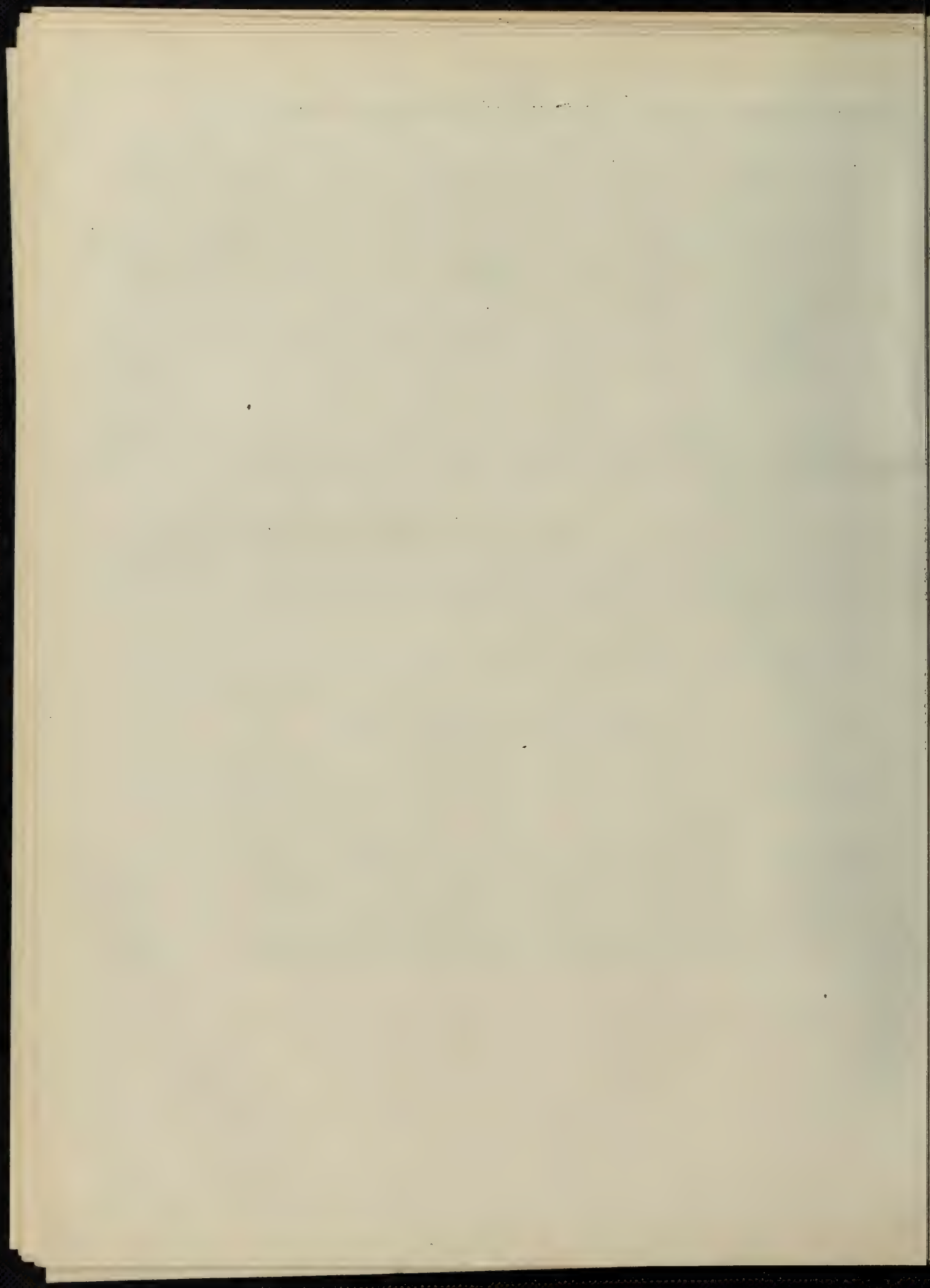
Return of the State Bank (Samuel Montagu and Co. Weekly Review of Foreign Exchanges, 8/2/34).

The Frankfurter Zeitung reports that the return of the State Bank of the U.S.S.R., dated July 1, showed the amount of chervonetz notes in circulation as 3,421,000,000 rubles, against 3,329,000,000 rubles on April and 3,356,000,000 on July 1, 1933. The return also showed 822,000,000 rubles of gold, 8,600,000 of other precious metals and 28,700,000 of foreign bank notes. A return of the total monetary circulation, which on July 1, 1933 totaled 6,528,000,000 rubles (including State notes and coins), has not yet been published.

Trade in Silver (Minister J. V. A. MacMurray, Riga, 8/7/34).

In examining the statistics recently received on the foreign trade of the U.S.S.R. in 1933, it was found that the export of silver (including dross of silver) from the U.S.S.R. for that year amounted to 37,597,000 rubles (10 rubles equals 1 chevronetz), whereas in 1932, silver exports had amounted to only 8,569,000 rubles. In previous years the amount of silver exported was not given. No information is available as to the sources of the silver exported; for example, the portion that was the product of the mines, the portion previously forming part of the cover of the currency or the amount that was obtained through "Tprgsin" or other commercial operations.

Grosvenor M. Jones, Chief
Finance and Investment Division.



DEPARTMENT OF COMMERCE
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Note. - In giving quotations or summaries from foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein.

AUSTRALIA

(On September 10, one pound - \$3.9675)

Commonwealth Budget for 1934-35 Compared with Actual Results for 1933-34

(Asst. Trade Commissioner W. C. Flake, Sydney, 8/1/34)

The estimates for 1934-35 provide for revenue of £72,193,000 and expenditures of £72,179,190, leaving a surplus of £13,810. According to preliminary figures, the actual figures for 1933-34 were: Revenue, £73,941,953; expenditures, £72,640,383; surplus, £1,301,507. The following table shows the preliminary figures of actual receipts and expenditures during 1933-34 and estimates for 1934-35:

Commonwealth Revenue

	1933-34 <u>Actual</u> £	1934-35 <u>Estimated</u> £
Taxation -		
Customs	22,326,823	22,300,000
Excise	11,928,019	12,300,000
Sales	8,695,689	8,000,000
Flour	1,253,957	---
Total, indirect	44,204,488	42,600,000
Income	9,314,768	8,500,000
Land	1,325,393	1,200,000
Estate	1,511,296	1,550,000
Entertainments	51,216	---
War-time profits	1,567	---
Total, direct	12,204,240	11,250,000
Total taxation	56,408,728	53,850,000
Miscellaneous	3,810,094	4,383,000
Total Governmental	60,218,822	58,233,000
Business undertakings:		
Post Office	13,156,300	13,400,000
Railways	331,740	340,000
Total business	13,488,040	13,740,000
Territories	235,091	220,000
Aggregate	73,941,953	72,193,000

<u>Commonwealth Expenditures</u>		
	1933-34	1934-35
	Actual	Estimated
Governmental -	£	£
War and repatriation	19,154,063	19,013,190
Defense	3,442,576	4,187,040
Invalid & old-age pensions	10,963,090	12,000,000
Other statutory payments	4,239,758	4,115,350
Departments	2,541,236	2,694,200
Miscellaneous	1,348,315	1,151,040
New Works	378,022	759,070
Total Governmental	42,067,360	43,919,890
Business undertakings		
Post Office	12,288,173	12,323,580
Railways	1,127,027	1,239,480
Total business	13,415,200	13,563,060
Territories	900,409	964,240
Payment to or for States	13,212,414	13,524,000
Relief to primary producers	3,045,000	208,000
Aggregate	72,640,383	72,179,190

Commonwealth Budget, 1934-35 (Consul A. M. Doyle, Sydney, 8/2/34)

The Commonwealth budget for 1934-35, introduced by the Prime Minister on July 24, 1934, provided for revenue of £72,193,000 and expenditures of £72,179,190, leaving a surplus of £13,810. With the exception of the criticism of parliamentary opposition (Labor Party), the budget has in general been received with approval. The improvement in general conditions is reflected in the fact that, while expenditure and taxation concessions to an annual estimated value of £9,000,000 granted for 1933-34 have been continued, it has been possible to balance the budget after making special expenditure concessions totaling £1,068,000 and granting taxation remissions and revenue concessions amounting to £78,000. No changes were made in income tax, land tax, and estate duties. No wheat policy was announced, the Government's action in this connection being postponed until the receipt of the report of the Royal Commission on Wheat. Some unemployment relief is anticipated through the appropriation of £4,405,051 for new works, including postal, defense, and others, this amount being an increase of £1,977,641 as compared with the previous year.

Taxation Remissions.

Taxation remissions and revenue concessions amounting to £830,000 will be granted as follows:

	£
Radio listeners' license reduction	90,000
Telephone charges reduction	120,000
Sales tax exemptions	220,000
Primage duty exemptions	400,000
Total	830,000

Radio license fees have been reduced from 24 shillings to 21 shillings per year. Certain pay cuts affecting the public service and the naval, military and air services will be restored to the extent of £270,000 per year, the lower grade salaries now being subject to a smaller percentage reduction than the higher grades. The conditions governing the granting of maternity allowances have been liberalized, resulting in an increase estimated at £60,000. The fees for telephone charges, both local and long distance, have been reduced. A large number of items, including many building materials, articles required by certain primary industries, special foodstuffs, and miscellaneous articles, have been exempted from the operation of the sales tax, the general rate of which is 5 per cent.

The primage tax, the general rate of which is 10 percent, has been removed from a number of articles irrespective of country of origin, and from certain others when admissible under the British preferential tariff. It has also been reduced to 5 percent on a considerable number of items irrespective of country of origin, and on another list of items only when admissible under the British preferential rate. The reduction of primage tax from 10 to 5 percent on cotton piece goods from the United Kingdom is expected to entail a loss of revenue of £250,000.

Special Expenditure Concessions

The following is a summary of the special expenditure concessions:

	£
Additional special grants to States	270,000
War pensions and repatriation benefits	123,000
Maternity allowances	60,000
Public service - partial restorations	
of financial emergency salary reductions	270,000
Subsidy in respect of artificial manure	200,000
Assistance to fruit growers	125,000
Cotton bounty (additional)	20,000
Total	1,068,000

In 1933-34 the Commonwealth Government's contributions to State revenue, exclusive of £3,045,000 relief to wheat growers, totaled £13,212,414. For 1934-35 the ordinary provision for this purpose will be £13,524,000, including an increase of £270,000 in the grants to be made to South Australia, Western Australia, and Tasmania. In addition, the Commonwealth Government will grant £2,000,000 to the various States on a population basis, this amount to be taken from the Commonwealth accumulated surplus of the past 3 years.

State Finances (Consul A. M. Doyle, Sydney, 8/2/34)

In recent years the Commonwealth Government has tended to expand its activities in the field of taxation at the expense of the State Governments. In addition, borrowing by the States is to a very large extent regulated by the decisions of the Loan Council, the membership of which consists of the Prime Minister and Commonwealth Treasurer and the Premiers and Treasurers of the various States. While taxation is still very heavy it is not as onerous as it was 3 years ago. Among the factors which have contributed to the improved position since 1931 has been the Premiers' plan, although it has not been possible to

achieve the objective of balanced budgets by the Commonwealth and State Governments by June 30, 1934.

When the plan was formulated, it was expected that a rise in world prices would substantially increase the revenue of State governments. On the other hand, the suspension of payment on the war debt to Great Britain has afforded considerable relief to the Commonwealth Government. Moreover, as a result of loan conversions, the average rate of interest on all Government loans has been brought down to £3 17s 6d (per £100), compared with £5 11s 0d before conversion, and new loans in Australia have been raised at much lower rates of interest than formerly. While the Commonwealth Government has shown surpluses in the last 3 years, the total of Commonwealth and State public debt, as is shown by the following table, has increased since 1930:

As of June 30:

1930	- - - - -	1,100,597,198
1931	- - - - -	1,156,034,917
1932	- - - - -	1,187,827,868
1933	- - - - -	1,204,658,123
1934	- - - - -	1,222,559,000

For the fiscal year ended June 30, 1934, the six States showed an aggregate deficit of £6,898,693 as follows:

State	Actual deficit for 1933-34	Estimated deficit for 1934-35
New South Wales	£ 3,300,365	£ 2,910,000
Victoria	795,000	480,000
Queensland	1,128,531	1,050,000
South Australia	838,000	770,000
Western Australia	788,912	650,000
Tasmania	47,885	20,000
Total	6,898,693	5,880,000

The net deficit of the aggregate accounts of the Commonwealth and State Governments for 1933-34 (Commonwealth Government surplus, £1,301,616) was £5,597,077, an improvement of £3,400,000 over the budget estimates. The budget deficits for 1934-35 given above were approved by the Loan Council on June 21, 1934. As against this aggregate deficit of £5,880,000, the combined contributions of the Commonwealth and State Governments, to the sinking fund during 1934-35 will exceed £8,000,000. The Commonwealth Bank has agreed to finance deficits up to £5,800,000 by treasury bills, on condition that treasury bills of an equal amount will be funded during the year. The Loan Council approved of the net loan programs of all Governments for 1934-35, which were fixed as follows:

	£
Commonwealth	750,000
New South Wales	10,000,000
Victoria	2,827,000
Queensland	3,400,000
South Australia	1,700,000
Western Australia	3,070,000
Tasmania	896,000
Total	22,643,000

The amount of funds already available from the proceeds of the recent loan and from cash balances carried forward is approximately £11,000,000, and the remainder will be raised in Australia during the coming financial year.

Australian Short-Term Debt on June 30, 1934 (Asst. Trade Commissioner W.C. Flake, Sydney, 8/1/34)

The short-term debt of Australia on June 30 amounted to £82,093,000, a reduction of £3,876,000 from the total at the end of May. The amount is made up as follows:

	<u>London</u>	<u>Australia</u>	<u>Total</u>	<u>Decrease</u> <u>from May 31</u>
	£	£ (000 omitted)	£	£
Commonwealth	10,220	---	10,220	---
New South Wales	10,113	29,190	39,303	3,240
Victoria	5,953	5,225	11,178	2,075
Queensland	---	2,890	2,890	* 2,640
South Australia	3,816	5,150	8,966	* 250
West Australia	3,031	5,710	8,741	1,415
Tasmania	491	304	795	36
Total	33,624	48,469	82,093	3,876

*Increases.

The London indebtedness is unaltered; all the changes have taken place in Australia, and are due to the funding of treasury bills and temporary redemptions out of loan moneys recently raised in the open market. As these loan moneys will be required for public works later in the year, treasury bills will be issued again for those temporarily retired, and the short-term debt may be expected to increase to its former dimensions. Of the total of £33,624,000 owed in London, short-term debentures represent £26,309,000 and treasury bills £7,315,000, practically all of which are held by the Commonwealth Bank. The larger portion of the amount owed in Australia, all of which is in treasury bills, is held by the trading banks.

Australia's Debt to the United States (Various sources)

Several suggestions have been made during the past year that Australia should take advantage of the present "favorable" exchange rate to call in Australian securities issued in New York. In his budget speech the Prime Minister said that the Government has been and is closely watching the position in the United States, and should any favorable opportunity arise to deal with the Australian securities issued in New York, action will be taken.

Australian Money Market (Cablegram from Consul General John K. Caldwell, Sydney, 8/30/1934)

Interest rates continue downward, with the average yield on government bonds 3.23 percent in July as compared with 3.33 percent in June and 3.72 percent in July 1933. Stock-exchange trading in recent weeks has been featured by the popularity of government bonds with investors who seek a higher return than that provided by interest on fixed deposits. This situation reflects the scarcity of other attractive investments.

Note issue at the end of July was £46,000,000, as compared with £47,000,000 on the corresponding date last year. Reserve in gold and sterling balances was 34.11 and 24.46 percent respectively.

Public debt as of June 30 for the Commonwealth and States was £1,222,000,000, as compared with £1,200,000,000 on June 30 last year. The present debt consists of £629,000,000 outstanding in Australia, £547,000,000 in London, and £46,000,000 in New York.

BRITISH INDIA

(On September 10, one rupee = \$0.3756)

Indian Revenues for Three Months Ended June 30, 1934 (Trade Commissioner C. E. Christopherson, Calcutta, 8/13/34)

Total Indian revenues for the 3 months ended June 30, 1934, amounted to 329,114,000 rupees, an increase of 1,740,000 rupees as compared with 327,374,000 rupees for the corresponding period of 1933. Following is a statement of revenues for the period April 1 to June 30, the first 3 months of the last 3 fiscal years:

	<u>April-June, 1932</u>	<u>April-June, 1933</u>	<u>April-June, 1934</u>
	(Rupees)	(Rupees)	(Rupees)
Land revenues	93,000,000	102,456,000	99,912,000
Salt "	36,800,000	23,163,000	21,556,000
Stamp "	30,731,000	29,888,000	31,387,000
Excise "	33,164,000	33,141,000	33,292,000
Customs"	120,919,000	117,503,000	117,894,000
Income taxes (including supertaxes and excess profits duty)	15,688,000	13,746,000	17,643,000
Forest revenues.....	4,719,000	4,530,000	4,587,000
Opium	3,408,000	2,947,000	2,843,000
Total	338,429,000	327,374,000	329,114,000

Indian Currency Returns (Samuel Montagu & Co.'s Weekly Bullion Letter, London, 8/29/34)

Indian currency returns on August 22, 1934, compared with the corresponding date in 1933 and on June 30, 1934, are shown in the following table:

	<u>Indian Currency Returns</u> (In hundreds of thousands, or lacs, of rupees)		
	<u>August 22,</u> <u>1933</u>	<u>June 30,</u> <u>1934</u>	<u>August 22,</u> <u>1934</u>
Notes in circulation	17,856	18,087	18,367
Coin and bullion in India:			
Silver	10,479	9,716	9,895
Gold	2,923	4,155	4,155
Securities:			
Indian Government	4,454	3,013	3,085
British Government	---	1,198	1,232

Calcutta Gold and Silver Movements Early in August 1934 (Various sources)

The gold market continued steady throughout the week ended August 11, 1934, with slight fluctuations around Rs.54-5-0. A limited amount of business was transacted. Arrivals from upcountry continue at about 12,000 tolas per day, but stocks on hand have increased to about 300,000 tolas. Daily offtake continues unchanged at 3,000 tolas. Exports from Bombay to Europe and America during the week totaled 9,636,000 rupees. Total imports during the week amounted to 111,386 rupees in bar and coin.

A firm tone prevailed in the silver market during the week, and prices recorded a sharp rise of about 1 rupee per 100 tolas upon advices from New York and London. Ready after opening at Rs.58-6-0 advanced steadily to Rs.59-7-0, and upon the announcement of the nationalization of silver by President Roosevelt rates jumped to Rs.60-7-0. However, there was a reaction toward the close of the week, and prices eased to Rs.59-12-0. Stocks on hand are heavy at about 10,000 bars, and daily offtake continues unchanged at 20 bars. Imports during the week amounted to Rs.21,483 in coin. Five hundred boxes of British silver dollars valued at Rs.1,020,000, for the account of the Hongkong & Shanghai Banking Corporation, were shipped from Bombay to Hongkong during the week.

Gold and Silver Market (Trade Commissioner C. E. Christopherson, Calcutta, 8/9/34)

The gold market continued steady during the week with a slight upward trend in prices. Ready, after opening at Rs.34-4-0 improved to Rs.34-6-3, but finally closed at Rs.34-5-3. A fair amount of business was done both for ready and forward deliveries. Arrivals from upcountry have diminished to between 10,000 and 12,000 tolas per day. Stocks on hand are estimated at 200,000 tolas, with a daily offtake of 3,000 tolas. Exports from Bombay to Europe and America during the week totaled 13,231,000 rupees. Total imports during the week amounted to 89,296 rupees in bar and coin.

After opening weak, silver improved sharply as a result of large purchases by bazar operators encouraged by reports that American banks were buying silver in London. Ready, after opening at Rs.56-12-0 and declining to Rs.56-9-0, advanced to Rs.57-15-0. Stocks on hand at Bombay and Calcutta total 9,000 bars and 3,000 bars respectively. Daily offtake at Bombay is about 20 bars and at Calcutta about 5 bars. There was no import of silver during the week; 1,015 ingots of silver valued at 1,659,470 rupees were shipped to London on Government of India account.

CHINA

(On September 10, one yuan = \$0.3519)

Good Prospects for Government Finances in 1934-35 (Radiogram, Acting Commercial Attache A. Bland Calder, Shanghai, 9/7/34)

The Chinese Finance Minister has pronounced himself favorably on the outlook for Government finances. He points to the increased revenues and also the intention to float no new loans during the fiscal year ending June 30, 1935.

No Change of Policy on Silver Exports (Radiogram, Acting Commercial Attache, A. Bland Calder, Shanghai, 9/7/34)

The Minister of Finance has repeated his assertion that the Chinese Government is considering neither an embargo nor higher duties on silver exports.

Outbound shipments of silver have declined appreciably since exchange equilibrium of Shanghai and foreign quotations was reached, and the inducement to export silver no longer operates.

Recent Movements in Shanghai Silver Stocks (Trade Commissioner A. Viola Smith, Shanghai, 8/20/34)

Silver stocks in Chinese and foreign banks in Shanghai on August 9, 1934, aggregated 524,804,000 yuan, compared with 478,094,000 yuan on August 10, 1933, being 46,710,400 yuan greater than they were 1 year ago. Silver stocks on June 30, 1934, were estimated at 573,000,000 yuan, a reduction of about 5,000,000 from stocks held at Shanghai at the end of May, several shipments having been made abroad and some movement to the interior having occurred during that period. Hence about 49,000,000 yuan flowed either abroad or to interior points between July 1, 1934, and August 9, 1934, prior to the silver nationalization announcement by the United States. Chinese Maritime Customs published statistics indicate that 56,000,000 yuan worth of silver was exported during the period January to July inclusive, 1934, as compared with 77,000,000 yuan during January-July 1933. In other words, up to August 1, 1934, silver exports from Shanghai were 21,000,000 yuan less than during the corresponding period of last year.

Chinese Maritime Customs statistics for Shanghai indicate silver imports and exports as follows:

	Jan.-July 1933 (Yuan)	Jan.-July 1934 (Yuan)
<u>Silver imports from -</u>	<u>52,330,629</u>	<u>4,571,543</u>
Hong Kong	27,135,103	2,095,574
United States	14,328,598	2,354,105
Great Britain	---	---
 <u>Silver exports to -</u>	 <u>76,737,062</u>	 <u>55,529,510</u>
Australia	---	25,642,121
Great Britain	215,115	19,345,738
Hong Kong	5,649,340	4,009,420
Japan	113,852	220,776
Netherland India	46,073	116,000
Straits Settlements	1,495,359	547,150
United States	66,418,328	5,648,305
Kwantung Leased Territory	2,799,000	---

Authentic figures showing exports of silver from Shanghai from August 1 to 20, 1934, are not yet available. An unofficial source, which may be regarded at least as conservative, places the figure at 60,000,000 yuan, which if correct, is in excess of the total exports of silver during January-July 1934. As to what proportion of this 60,000,000 yuan has moved since August 10, the announcement date in Shanghai of the silver nationalization program, it has been impossible to determine accurately. But something may be gleaned from a comparison of the silver stocks in Shanghai on August 9 and those on August 16. As indicated above, silver stocks at Shanghai on August 9, 1934, aggregated 525,000,000 yuan. On August 16, 1934, according to Reuter's figures, Shanghai silver stocks aggregated 512,000,000 yuan, thus showing a movement within the period of a week of 13,000,000 yuan.

Shanghai Silver Stocks

August 9, 1934	95,946,000 taels	plus	390,480,000 yuan	524,804,400 yuan
August 16, 1934	90,006,000 taels	plus	385,970,000 yuan	511,978,400 yuan
August 17, 1933	139,360,000 taels	plus	284,460,000 yuan	479,564,000 yuan

From the foregoing table it will be noted that, even with the large volume of silver exports flowing out of Shanghai, stocks on August 16, 1934 (the latest date for which figures are available), were still approximately 32,000,000 yuan heavier than they were on August 17, 1933. A shipment scheduled to leave Shanghai (chiefly for London) on August 21, 1934, aggregated 41,585,000 yuan. This shipment, included with the difference of stocks between August 9 and August 16, 1934, would tend to indicate that approximately 55,000,000 yuan flowed out of the country since August 10, the announcement of the silver nationalization policy. When this shipment of August 21 approximating 42,000,000 yuan has been made, silver stocks in Shanghai will be about 10,000,000 yuan less than they were on August 17, 1933, slightly over a year ago.

Shanghai Silver Stocks August 25, 1934 (Samuel Montagu & Co.'s Weekly Bulletin Letter, London, 8/29/34)

On August 25, 1934, silver stocks in Shanghai were shown to have diminished since June 30, 1934, when 115,700,000 ounces in sycee were on hand; that total had fallen to 80,600,000 ounces by August 25. On the latter date, specie amounted to 384,000,000 yuan, against 384,000,000 yuan on June 30. Stocks of bar silver, amounting to 29,700,000 ounces on August 25, were only a little less than the stock of bars, 30,200,000 ounces, reported for June 30. (See Far Eastern Financial Notes No. 163, of Aug. 5, 1934, "Shanghai Silver Stocks June 30, 1934.")

EGYPT

(One Egyptian pound = 1.01572 times one pound sterling, or on September 10 = \$5.0786)

Egyptian Telegraphs and Telephones Returns Improved in 1933-34 (Commercial Attache C. E. Dickerson, Jr. Cairo, 8/2/34)

The accounts of the Telegraphs and Telephones Administration for the fiscal year ended April 30, 1934, show very good results for that period as compared with the previous year. Total earnings amounted to LE796,561 in 1933-34 as compared with LE787,769 in 1932-33, and working expenses were LE549,941 as against LE560,958. Net profit accordingly stood at LE246,620 as compared with LE226,811. The percentage of profit on the basis of the capital valuation of LE2,800,000 was thus 8.8 in 1933-34 and 8.1 in 1932-33. Capital expenditure of LE147,816 during the year was met by special Government relief grant, much of the work having been begun prior to the separation of the Administration's budget from that of the State. Allowing for the regular annual contribution to the Government of 4 percent on the capital valuation of LE2,800,000, or LE112,000, and the consideration of LE8,000 received for the continuance of Government rates to Government lines, there remain LE142,620 which are carried to the special reserve of the Administration.

HONG KONG

(On September 10, one dollar = \$0.3900)

Revenues and Expenditures from 1929 to 1933 (Consul L. H. Gourley, Hong Kong, 7/25/34)

The following figures, published in June, show the revenue and expenditure of the Colony from 1929 to 1933:

Revenues and Expenditure of Colony of Hong Kong for
the Calendar Years 1929 to 1933

<u>Year</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Excess of Assets over liabilities on December 31</u>
1929	HK\$23,554,475	HK\$21,983,257	HK\$9,662,852
1930	27,818,473	28,119,646	9,361,680
1931	33,146,724	31,160,774	11,347,629
1932	33,549,716	32,050,284	12,847,062
1933	32,099,278	31,122,715	13,823,625

Hong Kong Government HK\$25,000,000 Loan (Consul L. H. Gourley, Hong Kong, 7/25/34)

On June 15, 1934, the Governor of Hong Kong signed an ordinance providing for a loan of HK\$25,000,000 "for the carrying out of certain public works, for the redemption of certain inscribed stock, and for other purposes." The loan was placed with the Chartered Bank of India, Australia, and China, and the Hong Kong and Shanghai Banking Corporation. Before the end of May, even before the loan ordinance had been signed, \$9,000,000 of the issue had been taken up. A HK\$5,000,000 issue was offered to the public on June 21 and was oversubscribed within a few minutes. At the end of the day, applications totaled HK\$16,605,000, or about three times the amount offered. The Government decided to issue only HK\$14,000,000 at this time and to float the remaining \$11,000,000 on one or more occasions on some future dates.

The price of the issue was fixed at 99 percent. The interest is $3\frac{1}{2}$ percent. It has been calculated that the bonds will give a flat yield of 3.535 percent, or, allowing for redemption over the full period of 25 years, of 3.565 percent. The loan is secured on the general revenues and assets of Hong Kong. The principal of the HK\$5,000,000 public issue will be repaid by annual drawings at par on July 15 in each of the 25 years commencing in 1935, at the annual rate of $\frac{1}{25}$ of the issue. In announcing the loan the Hong Kong Government stated that the public debt of the Colony amounted to HK\$4,838,000 in 4 percent bonds (Redemption Loan 1933), repayable at par in 1933, and £1,485,733 in sterling inscribed stock 1918-43 which, through this loan, will be redeemed on October 15, 1934.

JAPAN

(On September 10, one yuan = \$0.2988)

National Debt on July 31 (Commercial Attache F. S. Williams, Tokyo, 8/13/34)

The outstanding national debt of Japan as of July 31 amounted to 8,344,660,000 yen - an increase over the end of June of 200,119,000. Domestic debt totaled 7559

6,932,021,000 and foreign obligations 1,412,639 yen. There was an increase in domestic debts of 202,072,000 yen, but a decline in foreign of 1,953,000 yen. In addition to the total funded borrowings, the Government had outstanding on July 31 short-term loans amounting to 60,000,000 yen in treasury notes and 579,946,000 yen in rice notes.

Tax Revision Deferred (Commercial Attache F. S. Williams, Tokyo, 8/6/34)

The uncertain feeling which has characterized financial markets for several weeks over the possibility of increased taxes and the conversion of high interest Government bonds into lower interest issues was somewhat allayed during the week by statements issued by the Premier and the Vice Minister of Finance. In an interview with representatives of Japanese newspapers in Tokyo, Premier Okada is reported as stating that "Tax readjustment must come sooner or later, but because of the long time required for investigation, it cannot be realized so quickly as the next fiscal year. It should not be considered that a tax increase is a necessary part of tax adjustment. Before we can raise levies we must know the capacity of the people to bear taxes, and we must be sure that taxation is impartial. The Finance Minister so far has made no definite explanation to me of what would be involved in a tax increase, but I can assure you there will be none in the coming fiscal year." In connection with arguments for increased taxes on certain industries, particularly those connected with munitions, the Premier is reported as stating that "The Government does not think a tax increase in the munitions industry alone will give the Government a large increase in revenue. The general fact we must keep in mind is that taxation systems must be revised with the passage of time."

Treasury Bill Financing Studied (Commercial Attache F. S. Williams, Tokyo, 8/13/34)

The Minister of Finance held a meeting during the week with leading authorities of the Finance Office and bankers, when he took occasion to discuss with those present the financial problems with which he is now faced. According to press reports, an agreement was reached to continue currency regulation by the Bank of Japan through the medium of the sale of bonds, to maintain the present level of interest rates, and to inaugurate a careful study of the reasons why treasury bills and rice bills are not proving nearly as popular in the money market as ordinary Government bonds. The latter situation has arisen as a result of the banks having such enormous amounts of surplus funds for investment and for which they earnestly desire a reasonable profit.

Government 4 percent bonds have been in good demand for some time, as they were about the only investment that banks could find for their surplus funds. On the other hand, short-term treasury notes and rice bills have been difficult to dispose of, as their yield and stability are not as attractive as bonds. While the meeting was not over optimistic, it seemed to be the general consensus that the financial position of the country would be such during the next fiscal year that little difficulty would be experienced in disposing of the Government's deficit bonds.

Government Debt Funding Rumor Denied. (Commercial Attache F. S. Williams, Tokyo, 8/6/1934)

Government bonds have been noticeably weak for the past several weeks owing to persistent rumors that the Government was deliberating on a scheme to convert

its 5 percent bonds into lower bearing issues. About 3 weeks ago these bonds were selling at around 106 yen. Last week they were down as low as 103.50 yen, almost entirely on account of these conversion rumors. In order to refute these reports, Mr. J. Taushima, Vice Minister of Finance, gave out the following statement at the regular meeting of Vice Ministers held on August 2:

"The rumor has been circulated recently in connection with conversion of 5 percent Government bonds into lower rate issues, and it has occasioned instability in the bonds market. Moreover, as was set forth by the Minister of Finance recently in Osaka, the matter cannot be carried out lightly, in view of probably far-reaching repercussions of any such scheme. Hence the Department of Finance is not at all considering the conversion scheme."

Banks Reduce Interest on Deposits (Commercial Attache F. S. Williams, Tokyo, 8/13/1934).

Press reports indicate that the Aichi and Nagoya banks in Aichi Prefecture have recently reduced fixed deposit rates by 0.2 percent to 0.3 percent, to 3.7 percent to 3.8 percent. In June, both A and B class banks lowered their deposit interest rates, many B class institutions being now down to the level of A class, namely, 3.7 percent.

There seems to be a general feeling among A class banks that interest rates should be lowered further. The chief obstacle to this, however, is the fact that postal saving rates are 3 percent and free from tax. Class A bank rates at 3.7 percent give a net yield of 3.2 percent. If there should be any reduction in bank rates, depositors would no doubt shift to postal savings, so unless postal savings rates are lowered, the banks will gain very little by dropping their rates. The postal saving deposits have been steadily increasing for several months, reaching an all-time high level in June, which was further increased in July, when the total almost topped the 3 billion mark.

Japanese Money Market in Week Ending August 4. (Commercial Attache F. S. Williams, Tokyo, 8/6/1934)

The shifting of 112,000,000 yen in cash into one bank in the course of 3 days as a result of the offering of Mitsubishi Heavy Industry Co. shares was a disturbing factor in the money market. The value of bills passing through the Tokyo Clearing House on August 1 exceeded that of the previous day by 142,647,000 yen, while rates on unconditional loans in Osaka were 0.85 sen per 100 yen per day, being 1 sen higher than on July 31. The stock exchange experienced increased activity due to the sale of a large number of leading shares, presumably to be replaced by the Mitsubishi shares. The money market tightened up considerably and remained so until the end of the week, as there was approximately 100,000,000 yen tied up in the Mitsubishi Bank which will have to be refunded to depositors, as only about 20,000,000 yen is necessary for the payment in full on the 125,000 shares.

Bank Profits First Half of 1934 (Commercial Attache F. S. Williams, Tokyo, 8/13/1934)

Owing to low interest rates prevailing in Japan, banks have found it difficult during the first half-year period to realize profits on deposits. Loans also decreased, which further intensified the difficulties experienced in making profits. Ordinary banks, special (semiofficial), and savings banks, however, were in a far better position to augment their profits by underwriting bonds and debentures, redeeming securities, and by the purchase and sale of securities, to a much greater extent than the third and fourth class banks. A study of the balance sheet of the three classes of banks for the first 6 month period clearly indicates this fact,

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is shown by the following table:

	Dividend for First half 1934 (percent)	Net Profit for First half 1934 (yen)	Net Profit for Last half 1933 (yen)
<u>Ordinary banks:</u>			
Daiichi	8	4,182,000	4,140,000
Yasuda	7	4,383,000	4,325,000
Sanwa	7	4,356,000	4,300,000
Kawasaki-Daihyoku	6	1,136,000	1,023,000
Nomura	7	666,000	651,000
Aichi	8	840,000	833,000
Nagoya	8	877,000	879,000

Special banks:

Hypothec Bank of Japan	10	6,290,000	6,290,000
Industrial Bank of Japan	6	3,091,000	2,790,000
Tokyo Agricultural & Industry	10	563,000	494,000

Savings banks:

Osaka	8	1,074,000	1,112,000
Fudo	10	1,176,000	1,298,000
Kawasaki	8	699,000	707,000
Yasuda	6	372,000	308,000
Tokyo Chozo	5	294,000	142,000

Gold Output to be Increased (Commercial Attache F. S. Williams, Tokyo, 8/13/34)

According to press reports, gold output of six leading companies, Japan Mining, Mitsubishi Mining, Mitsui Mining, Sumitomo Mining, Furukawa Mining, and Taiwan Gold Mine, during the first 6 months was as follows:

	Kilos
January	1,146
February	1,275
March	1,357
April	1,313
May	1,353
June	1,345

In the first 3 months of the year the output increased steadily. In March, however, refining capacity was reached, and production during the second quarter was slightly below the March level. These six companies are said to be increasing their refining facilities.

Mitsubishi Heavy Industry Co. Shares Oversubscribed (Commercial Attache F. S. Williams, Tokyo, 8/6/34)

Intense interest has been shown in the issue of the Mitsubishi Heavy Industry Co. shares. As previously reported, the total number of shares of this new company is 1,110,000, of which 400,000 were to be paid up immediately. Of this number, 150,000 were taken over by five big insurance companies and the Mitsubishi concern, while the remaining 250,000 were divided equally between security dealers and the Mitsubishi Bank for sale to the public. The Mitsubishi Bank opened its

sale of 125,000 shares on August 1. By August 3, subscriptions had been received for 7,500,000 shares, or sixty times the actual number available. With the subscriptions received, guarantee money aggregating 112,000,000 yen was deposited with the bank. This very exceptional demand for a share issue is indicative of the confidence the Japanese people have in Mitsubishi.

Debenture Market Active (Commercial Attache F. S. Williams, Tokyo, 8/13/34)

Announcements were recently made of the early issuance of the following debentures: Nippon Electric Power Co., 23,000,000 yen, $4\frac{1}{2}$ percent, at par, redeemable 12 years; Tokyo Electric Light Co., 38,000,000 yen, $4\frac{1}{2}$ percent, at par, redeemable 10 years; Izumo Electric Co., 6,000,000 yen, $4\frac{1}{2}$ percent, at par, redeemable 6 years; Hypothec Bank of Japan, 8,500,000 yen, 4.2 percent, at par, redeemable 17 years.

NETHERLAND-INDIA

(On September 10 one florin or guilder = \$0.6848)

Improved Budget Position First Five Months of 1934 (Various sources)

According to a statement given out early in August 1934 by the General Treasury of the Netherland East Indies, during May there was an upward trend in Government revenues, so that for the month they were almost 3,000,000 guilders greater than for the same month of last year. This favorable result brings the total revenues for the first 5 months to 153,400,000 guilders in comparison with 148,300,000 during the corresponding period of last year. The corresponding total for 1932 was 164,300,000 guilders.

Tax receipts of various kinds account for more than one-half of the total. There was a substantial gain in May in revenue from import duties, and for the first time since the new tariff schedule became effective on January 10, 1934, the total receipts for the year are greater than for the corresponding period of last year. The 5 month figures are 19,900,000 this year, 19,500,000 in 1933, and 19,200,000 in 1932. The new excise tax on sugar has yielded 2,600,000 guilders during the first 5 months. The most important gain of all continues to be from the Government-operated tin mines, which have produced a revenue of 10,700,000 guilders for the first 5 months, or approximately double that of the corresponding period of 1933.

This upward trend in Government revenue is encouraging, but the total still remains far below the estimates for the year. The corresponding figures for expenditures are not available, but it appears almost certain that various retrenchment measures adopted, including the important salary revisions which became effective in April, have also kept expenditures below the estimates.

Another important saving has resulted from the conversion of the dollar loan and it is now stated that the debt-service cost has been reduced by 18,822,261 guilders. A news report from the Netherlands states that the further conversion of Netherland Indian loans contemplated has not been definitely decided upon as yet and that the decision must be governed in large measure by money-market conditions.

NEW ZEALAND

(On September 10, one pound = \$3.9913)

New Zealand Currency Policy (Vice Consul W. W. Hoffman, Wellington, 7/30/34)

Special attention has been directed to an announcement by the Reserve Bank that, unless a serious alteration of the situation took place, the exchange rate would remain at its present level for a long time. This announcement was intended to put an end to discussion and speculation regarding a possible change in the rate. Although the announcement was made as definite as possible, it does not appear to have had the desired effect, and the discussions have continued unabated. This is due in large measure to the fact that a bill was presented and rushed through Parliament intended to make a few minor adjustments in the law governing the operation of the Reserve Bank, so that when this body began to function on August 1, certain anomalies in the law might be corrected.

Although the questions in point were of minor importance, the opportunity was grasped by members of the opposition and the press generally to review the whole situation, especially as regards exchange. Very little in the way of constructive criticism was offered.

Actually, it appears that owing to an excessive favorable balance of trade, there is now an accumulation of approximately £23,000,000 in sterling balances in London. Under the law indemnifying the private trading banks against losses due to the exchange rate, the New Zealand Government acquired these credits from the trading banks in return for treasury notes bearing interest at 5 percent, in the amount of approximately £29,000,000 New Zealand currency. It is now intended that the London credits will be turned over to the Reserve Bank in exchange for Reserve Bank notes with which the Government will retire its outstanding treasury bills. In this manner the Government is relieved of the direct responsibility and of the obligation of paying further interest to the trading banks, while the Reserve Bank has a large fund in London with which to commence operations. Actually the responsibility of the Government still continues, because as part of the bill just passed, arrangements have been made by which the Reserve Bank is to be indemnified from any losses which it might incur through a possible alteration in the exchange rate, while the Government is to receive any profits that might similarly accrue.

A point which may have a definite bearing upon coming events is a reference by the Minister of Finance to a possible future statutory fixing of the relationship between New Zealand currency and sterling. Mr. Coates said, in the course of the debate, that profits or losses on exchange affected the Consolidated Fund only until a definite relationship between the currency of the Dominion and sterling was fixed by statute. Although little attention has been paid to this announcement, the manner in which the stabilization of the rate has been accomplished lends support to the idea that a movement is on foot to make the present arbitrary rate a permanent and legal one. In the first place, there is the announcement by the Reserve Bank of the maintenance of the present exchange rate over a long period of time. This announcement was made approximately a week in advance of the legislation designed to protect the bank against loss in its announced policy. It is almost certain that in making it, the bank had already received governmental assurance of protection, which indicates that the bank and the Government are working hand in hand, or rather that the bank is the instrument for carrying out the Government's predetermined policy, and that the way is being paved for the permanent devaluation of this Dominion's currency.

A further interesting point is the issuance of Reserve Bank notes against London credits, which are the direct result of, and depend in amount upon, the volume of New Zealand's exports. In this manner the currency circulation is to a certain extent, at least, based upon the primary industries, since the amount of the London balance expands or contracts in direct proportion to the shipment of butter, meat, and wool. The bank will have, of course, a gold reserve made up of the gold hitherto held by the trading banks, but under the announced system by which the treasury notes issued in payment of sterling credits are to be retired by Reserve Bank notes, it would appear that the issuance of these notes depends more on the sterling credits than on the amount of the gold reserve. The cry of inflation has been raised by the opposition, but this the Minister of Finance has strenuously denied.

PERSIA

(The rial = 1.07 French francs, or on September 10 = \$0.0713)

Persian Currency and Gold Holdings (Excerpts from June 1934 Bulletin of National Bank of Persia, forwarded by American Minister, Wm. H. Hornibrook, Teheran, 7/23/34)

The demand for notes of the National Bank is continuously increasing, having as a consequence the influx of metal currency in the bank's vaults. The emission of our bank notes, accordingly, is invested with the character more especially of a simple exchange without having a direct connection with our commercial portfolio. Since the introduction into circulation of our notes, as of March 21, 1932, our accumulation of coined krans and rials has progressed in such a proportion that it surpasses actually the amount even of notes. In its session of April 21, 1934, Parliament voted the following law:

The National Bank is authorized to purchase gold in the interior of the country at the price which it may be judged appropriate and to place the gold thus purchased to the account of the reserve for bank notes.

It should be explained that the price of gold in Persia has been for a long time, owing to the prohibition of the export of this metal, some 25 percent below the world price. In order to concentrate the stocks of gold of the country and to prevent contraband export, the National Bank has been charged with undertaking on the internal market the purchase of gold for the account of the Government. The monetary law of March 13, 1932, having fixed the gold content of the rial at 7,322,382 centigrams, the purchase price offered by the Bank cannot exceed the amount of 61.30 rials per miskal of 975/1000 (the measure employed in the gold trade), while the world price of gold amounting actually to 81 rials per miskal much surpasses the legal price. However, the above-mentioned law (of 1934) has permitted the bank to pay a higher price and to make, besides, purchases for its own account. In the application of this law, the bank has fixed lately its purchase price of 72 rials per miskal. The price on the free market follows this movement.

Notes in circulation and metallic stocks (May 26, 1934)

	<u>Rials</u>
Bank notes in circulation (including notes on hand)	266,628,450
Permanent cover in silver rials and krans under the direct control of the Committee for the Control of the Note Cover	150,000,000
Part in the vaults of the Bank (main office and branches) serving as cover	116,628,450
Proportion of cover to notes in circulation	100 percent

Total cash on hand of the National Bank

Krans and rials (silver coinage)	351,913,450
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Gold stocks of the National Bank

473,250 grams of fine gold (532,535.66 new American gold dollars).

Precious metal stocks of the Persian Government deposited with the National Bank

16,651,464 grams of fine gold (18,737,450.22 new American gold dollars).

52,440,231 grams of fine silver.

Persian Exchange (Excerpts from June 1934 Bulletin of National Bank of Persia, forwarded by American Minister W. H. Hornibrook, Teheran, 7/31/34)

Events of the last weeks have shown, once more, that the floating stocks of foreign exchange are rather considerable and that there exists, moreover, appreciable reserves of exchange in the hands of merchants who may be able, in case of need, to supply the market. This is explainable notably in the fact that the foreign commerce of Persia is affected, in general, on the basis of foreign exchange, which renders indispensable the holding of certain funds in foreign exchange. In a general way, it is the situation of the exchange market which dictates to merchants the maintenance of their liquid funds in rials or in foreign exchange -- whence proceeds the lively fluctuations of the market which more often than not have no connection with the movement of the figures of foreign trade. Further, in an examination of the situation of the exchange market and its correlation with the statistics of foreign commerce, account should be taken of the very probable undervaluation of imports and the overvaluation of exports.

In so far as concerns the future development of the exchange market, it is difficult to make any prophecies. At the same time, seeing that the rates are actually near parity, and taking account of the situation of the silver market, the prospect for the future is more particularly in favor of the decline of the rates of exchange.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1-1/8 percent premium for telegraphic transfers.)

Philippine Island Budget for 1934-35 (Acting Trade Commissioner C. H. Boehringer, Manila, 7/28/34)

During the week Governor-General Murphy forwarded to the Philippine Legislature the annual budget for 1935, calling for appropriations of 53,997,459 pesos, compared with 56,510,338 pesos authorized for 1934. The income for 1935 has been estimated at 55,016,990 pesos, as compared with 56,807,000 pesos, the revised estimate for the current year. Comparing the estimated income for 1935 with the proposed expenditures, the Governor-General pointed out that a surplus of approximately 1,000,000 pesos should be marked up for 1935. He further pointed out that "The cooperation of the Legislature and the executive resulted in balanced budgets for 1933 and 1934. The budget for 1935 rests on the same principle of solvency. If passed and kept in balance, you may point with valid pride to three consecutive years of balanced budgets -- 1933, 1934, and 1935 -- a record nearly unique among the political units of the world in these days; a record which will strengthen the credit of the Philippines; and a record which will bear testimony of the financial competence of the Government."

Currency Planning in the Philippine Islands (Acting Trade Commissioner C. H. Boehringer, Manila, 8/1/34)

A report entitled "Currency Planning," has been prepared by the Committee on Finance of the Philippine Economic Association, an association formed by eminent Filipino government officials. The recommendations given in this report include the following:

1. That the present currency system in the Philippines, known as the gold exchange standard, should be indefinitely continued until such time when conditions and circumstances would warrant the change of the system.
2. That as soon as practicable, and pending the final results of the various experiments in different currency systems, we should petition the Congress of the United States for autonomy in the control of our currency.
3. That the Committee on Banking should study and propose a plan for the establishment of an institution, a central bank or otherwise, as the guardian of sound credit and to provide elasticity in our currency.
4. That, in order to keep abreast with the currency reforms of the United States and other countries, as well as to safeguard our deposits abroad and to enable the Philippine Government to act promptly when necessary, it is further proposed that a Monetary Commission should be created under the National Economic Council, as suggested by your Committee on Foreign Trade and Tariff.

(A copy of this report is available for loan on application.)

Measures to Combat Deficit Provincial Tax Yields (Radiogram, Trade Commissioner
Grant Isaacs, Manila, 9/8/34)

Because tax collections have proved backward in a number of Provinces, the Governor-General has strongly recommended the adoption of energetic efforts by provincial governors and treasurers to gather in amounts due and unpaid. In some Provinces, a few of which show unbalanced budgets, it has also been urged that the numbers of employees and their rates of pay be reduced by the local authorities.

Philippine Gold Mining Company to Revise Capital Structure. (Acting Trade Commissioner C. H. Boehringer, Manila, 8/8/34).

The revision of the capital structure of the Benquet Consolidated Mining Co. by increasing the value of its capital stock and declaring a 200 percent dividend, subject to the approval of stockholders at the meeting of September 11, was announced Monday by Judge John W. Haussermann, president and general manager of that company. The revision of the capital structure of the company is deemed advisable in order to bring it into line with the actual capital investment. It can be accomplished by transferring all the general reserve (3,500,000 pesos) and 2,300,000 pesos of the surplus account to capital account, thereby making the capital account 6,000,000 pesos instead of only 200,000 pesos as at present.

TURKEY

(One Turkish pound = 12.06 French francs, or on Sept. 10 = \$0.8038)

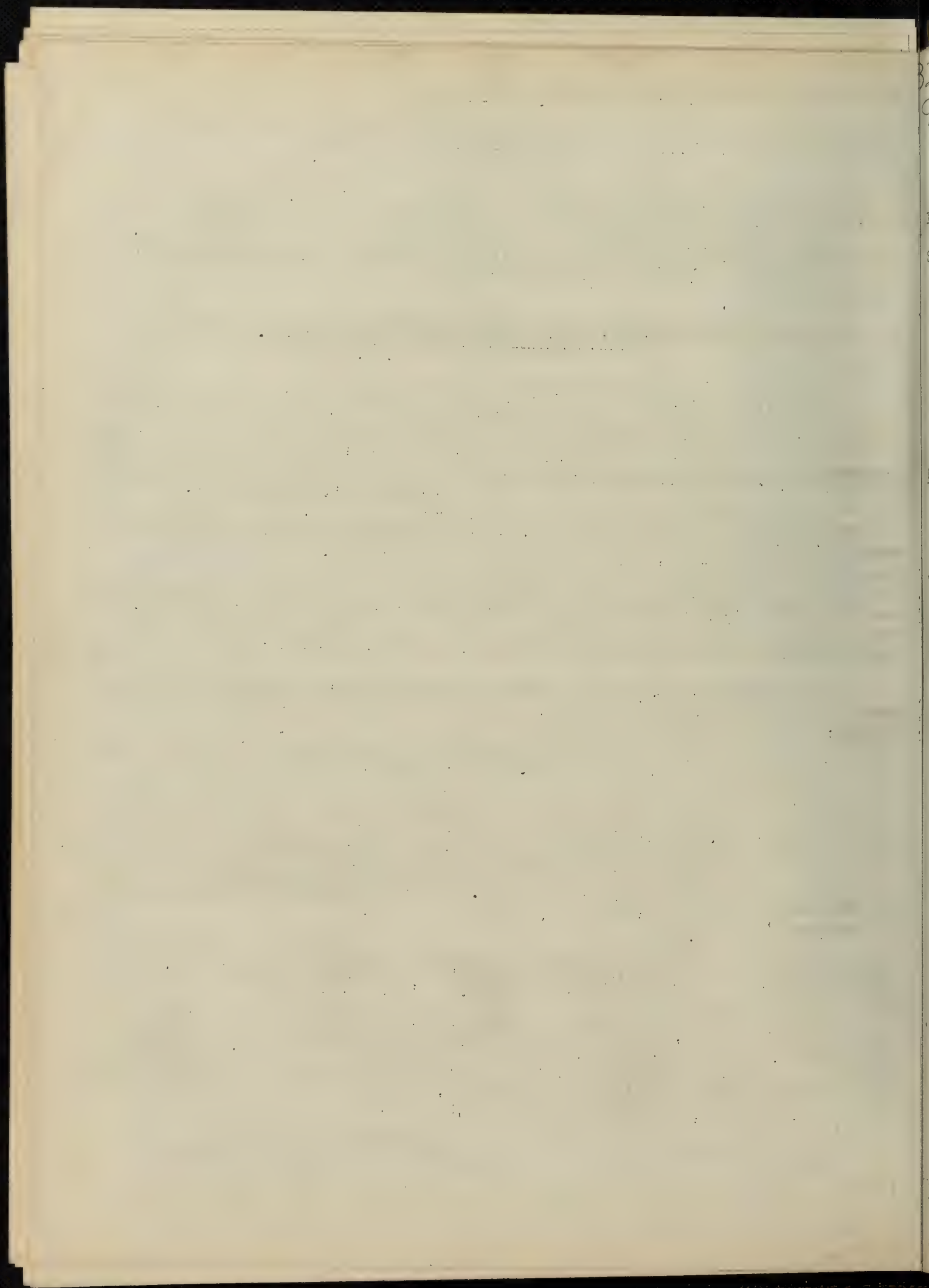
Proposed Restrictions on Foreign Exchange (Near East and India, 7/19/34)

A law under consideration is reported to provide for a restriction in the payment in foreign exchange to holders resident abroad of dividends and interest on shares and bonds of companies incorporated in Turkey. If the local press is correct, only 30 percent of such amounts will be available in foreign exchange; the rest would have to be paid in Turkish export goods. Such measures are apparently proposed to compensate for the greater demand for foreign exchange which will result from the placing abroad of important orders under the recent rearmament scheme. Commercial agreements concluded with a number of foreign countries have provided a margin of 30 percent to be paid to Turkey in foreign exchange, and this proportion has hitherto been considered sufficient for Turkey to pay the interest on its noncommercial debts. The aforesaid bears no reference to State loans, the interest of which, it is understood, will continue to be paid in cash as heretofore.

Suemer Industrial Bank to Have Capital Increased (Consul Charles E. Allen, and
Vice Consul H. Elting, Jr. Istanbul, 7/28/34)

On July 4, 1934, the Turkish National Assembly voted to increase from £T10,700,000 to £T60,000,000 the capital of the Suemer Bank, the institution founded to finance industrial enterprises. According to a press announcement, on the smaller capitalization given above, the bank in its last operating year earned 14.2 percent, or a net amount of £T1,517,613.

Grosvenor M. Jones, Chief
Finance and Investment Division



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DEPARTMENT OF COMMERCE
 Bureau of Foreign and Domestic Commerce
 WASHINGTON

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OCT 24 1934

UNIVERSITY OF ILLINOIS

AUSTRALIA

(On September 24 one pound = \$3.9483)

Commonwealth and States Budget Results for 1933-34 (Acting Trade Commissioner
 Wilson C. Flake, Sydney, 8/20/34)

Figures given out around the middle of August on total revenues and expenditures of the Commonwealth and State Governments during the fiscal year ended June 30, 1934, are slightly different from those published by the press in July (see Far Eastern Financial Notes No. 165 of September 4, 1934, "Australian Government Finances"). They are, however, still designated "preliminary" and are therefore subject to revision, so far as some States are concerned. The provisional figures on the Commonwealth's revenues and expenditures were not changed.

Actual revenues and expenditures for the year ended June 30, 1933, as finally made up and for the year ended June 30, 1934, and as revised to date, are as follows:

Revenues and Expenditures - Australian
 Commonwealth and States

(In thousands of Australian pounds)

	Year ended June 30, 1933		Year ended June 30, 1934	
	Revenues	Expenditures	Revenues	Expenditures
	(Provisional)			
Commonwealth	73,513	69,966	73,942	72,640
States:				
New South Wales	49,329	52,960	47,251	50,551
Victoria	24,705	25,547	24,158	24,953
Queensland	13,397	14,951	13,859	14,988
South Australia	10,161	11,170	10,188	11,032
West Australia	8,332	9,196	8,482	9,271
Tasmania	2,522	2,577	2,698	2,718
Total, States	108,446	116,401	106,636	113,513
Grand total, Commonwealth and States	169,176	173,584	166,736	172,311

These totals do not include payments to States by the Commonwealth of interest on State debts, disabilities, certain forms of relief, etc., nor payments by States to the Commonwealth of interest on soldiers' and settlement loans.

Australian Commonwealth and State Debt Total (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/18/34)

On June 30, 1934, the debt of the Australian Commonwealth and States totaled £1,222,558,798, as compared with £1,204,658,123 on the corresponding date of 1933, and with £339,436,932 on June 30, 1914. The per capita debt was estimated at £183 on June 30, 1934, against £69 on the corresponding date of 1914.

Victorian Finances for Fiscal Year 1933-34 (Vice Consul Bernard C. Connelly, Melbourne, 8/14/34)

For the fiscal year 1934, Victoria had a deficit of £795,156, about £5,000 less than the estimated deficit of £800,000 originally permitted by the Premiers' Plan and well below the amended deficit of £925,000 which was later fixed by the Loan Council. Total revenue amounted to £24,157,901, or £91,790 less than estimated, and total expenditures to £24,953,057, or £3,188 more than planned. The 1934 deficit is due to the railway deficit of £725,497 and to the State Coal Mine deficit of £73,804. There was a surplus of £4,145 in the general account.

A favorable balance in the general account was most unexpected. When the 1934 budget was drawn up, a deficit of £202,522 was anticipated in this account, but revenue from three items fortunately exceeded calculations. Income taxes yielded £231,713 more than estimated, land taxes £96,126 more, and probate taxes £91,034 more. These direct taxes all fall on the same section of the community; in Victoria 11 percent of the taxpayers contribute 80 percent of the State's revenue. Expenditures in the General Account exceeded the estimated figure by £299,697. Sums paid out for interest and exchange were, on the other hand, £69,753 under the estimated figures.

The deficit in the railways account was £281,404 more than estimated, and totaled £725,497. Railway revenue at £9,258,000 was £342,000 less than estimated, although a saving of £60,596 was made in expenditures actually incurred as compared with those anticipated.

The third item in the financial statement concerns the account of the State Coal Mine at Wonthaggi. During the year a deficit of £73,804 was incurred, exceeding the estimated deficit by £20,241. Both revenue and expenditure were considerably less than the estimated amounts, over £100,000 in each case, because of a strike in the last quarter of the financial year.

It is evident that the unexpected increase in direct-tax receipts was responsible for keeping the State's finances within the figures prescribed under the Premiers' Plan. The improvement was, moreover, obtained without recourse to the recent Commonwealth grant of £550,000, which can, and probably will, be used in connection with the 1935 budget soon to be presented to the Victorian Parliament. Interest charges in the new budget should show some reduction, as much of the Victorian overseas indebtedness has been refunded at lower interest rates. The State's interest bill during 1934 amounted to £6,968,000, or nearly 30 percent of the total revenue.

Commonwealth Bank Reduces Interest Rates on 3 Months' Deposits (Various sources)

During the week ended August 11, 1934, the Commonwealth Bank announced a reduction from 2 percent to $1\frac{1}{2}$ percent in the annual interest rate on 3-month time

deposits. This rate was lowered in order to bring it into line with rates on deposits for periods of 6, 12, and 24 months, which had already been reduced.

Australian Government's Provision for Gold-Mining Research (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/15/34)

The Federal Ministry has set aside £5,000 for research work for the benefit of the gold-mining industry during the fiscal year ending June 30, 1935. The Council for Scientific and Industrial Research will collaborate with representatives of mining enterprises in this work. Studies will be made of ore-dressing processes and of methods for treating slimes, to which almost no attention has been paid in Australia.

In addition to provision for research in gold extraction, the Commonwealth Government has furnished £75,000, to be used, along with an equal sum contributed by Queensland and Western Australia, on an aerial geological and geographical survey of selected areas in Northern Australia.

Australian Gold-Mine Output First Half of 1934 (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/15/34)

In the first 6 months of 1934, Australian gold mines yielded 430,443 ounces, including estimates of 7,600 ounces from mines in the minor gold-producing States, South Australia, Northern Australia, and Tasmania. The production was 385,660 ounces in the corresponding period of 1933, and 331,700 ounces in the first half of 1932.

Western Australia produced 316,330 ounces in the first half of 1934, as compared with 299,805 ounces and 288,764 ounces, in the first 6 months of 1933 and 1932, respectively. Although the production in Queensland is not large as compared with that of Western Australia, it has increased remarkably -- from 5,404 ounces in the first half of 1932 to 54,500 ounces in the first half of 1934.

Australian Gold-Mine Output by States

	<u>Jan.-June 1932</u>	<u>Jan.-June 1933</u>	<u>Jan.-June 1934</u>
	(Ounces)	(Ounces)	(Ounces)
Western Australia	288,764	299,805	316,330
Queensland	5,404	40,422	54,500
Victoria	19,266	27,594	34,771
New South Wales	14,141	13,000	17,242
South Australia	800	1,500	1/6,500
Tasmania	3,025	2,839	1/ 500
Northern Australia	300	500	1/ 600
Total	331,700	385,660	430,443

1/ Outputs given for these three States are estimates. Figures for the other four States are presented as definitive.

Government Assistance to Australian Wheat Growers (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/16/34)

On August 2, the Prime Minister announced that the Government had accepted the recommendation of the Royal Commission on the Wheat Industry that assistance

to the extent of £4,000,000 be extended to growers during the crop year which begins December 1, 1934.

Assistance would be based on the price of 3 shillings per bushel, free on rail at principal shipping ports. The amount of relief to be given would increase if the price fell below the 3-shilling level, and would diminish if it should exceed that figure.

BRITISH INDIA

(On September 24 one rupee = \$0.3751)

Calcutta Gold and Silver Market in Mid-August (Various sources)

Firm conditions prevailed in the Calcutta gold market during the early part of the week ended August 18, 1934, and the price of ready rose from Rs. 34-5-0 to Rs. 34-10-0 per tola. The rate declined gradually, but rallied toward the close at Rs. 34-10-0. Arrivals from upcountry are almost unchanged at 12,000 tolas, stocks on hand are estimated at 400,000 tolas, and the daily offtake continues at 3,000 tolas. Exports from Bombay to Europe and America during the week totaled Rs. 858,000, and imports amounted to Rs. 150,584 in bar and coin.

The silver market during the week showed further improvement, in sympathy with continued buying by America in the London market. The undertone of the market was steady with an upward tendency, although there was some reaction due to profit taking on the part of speculators. Stocks on hand continue heavy at 10,000 bars, with daily offtake at 15 to 20 bars. Imports during the week amounted to 28 bars and 138,200 rupees in coin.

BRITISH MALAYA

(On September 24 one Straits dollar = \$0.5844)

Malaya Note Circulation Continues Increase During July 1934 (Various sources)

On July 31, 1934, the circulation of currency notes in British Malaya was reported as amounting to S\$69,685,340, an appreciably greater amount than the total at the end of June - S\$67,700,788. The circulation amounted to S\$67,631,538 on May 1, 1934, and to S\$66,913,387 on July 31, 1933. Since the latter date, the increase has been quite steady, month by month, up to the end of July 1934.

CHINA

(On September 24 one yuan = \$0.3563)

Distinctive Points of Greater Shanghai Municipality Loan (Consul General Edwin S. Cunningham, Shanghai, 7/20/34)

The 7 percent loan of 3,500,000 yuan, which was put out by the city government of Greater Shanghai in July 1934 at 98 and was heavily oversubscribed, had several characteristics distinguishing it from similar Chinese municipal issues hitherto offered.

The loan was floated by an American house in Shanghai. This is believed to be the first time that an American firm has figured in the issue of a Chinese municipal loan. Associated in the underwriting were an American securities corporation with its headquarters in China, the (French) International Savings Society, the Greater Shanghai City Trust (the bank of Greater Shanghai city government), the Chekiang Industrial Bank, and the Bank of China.

Security for payment of charges on the loan is the revenue from licenses granted by the city government to owners of motor cars, motorcycles, and bicycles. By long-established custom, earlier loans were secured by customs revenue.

The expenditures for various municipal enterprises of the proceeds from the loan are to be "fully supervised" by a board of supervisors. That body consists of seven members, who are, respectively, the Commissioner of Finance (acting as chairman), the Commissioner of Public Works, the Commissioner of Education, the Chairman of the National Loan Sinking Fund Commission, and three others severally representing the provisional Municipal Council, the Chinese Bankers' Association of Shanghai, and the American firm that floated the loan. (See Far Eastern Financial Notes No. 163, of August 5, 1934, "Greater Shanghai Municipality Loan Over-subscribed".)

Chinese Post Offices to Sell Tax Stamps (Chinese Economic Bulletin, 8/4/34)

The Chinese Ministries of Finance and Communications have arranged to abolish all stamp-tax offices on September 1, 1934, and, beginning on that date, to have documentary stamps sold by post offices. The latter will receive 10 percent of revenue obtained from the sale of those stamps.

Government Restricts Foreign-Exchange Dealings (Radiogram, Acting Commercial Attache A. Bland Calder, Shanghai, 9/14/34)

On September 8, 1934, the Finance Minister issued an order prohibiting sales and purchases of foreign exchange except to meet legitimate commercial and financial requirements, and personal and travel needs.

New Rules to Govern Gold Bar Dealings (Radiogram, Acting Commercial Attache A. Bland Calder, Shanghai, 9/14/34)

Along with the order issued September 8, 1934, restricting foreign-exchange transactions, another was given out by the Finance Ministry prohibiting dealings in Shanghai in gold bars based on United States dollar quotations. At the same time the Ministry gave instructions to the Gold Bar Exchange that transactions be confined to actual gold bars. Any setoffs or readjustments necessitated by failures to deliver following sales, are to be effected in customs gold units. Those units are amply protected by gold reserves.

It is the official plan to use the central bank's daily quotations on customs gold units as the basis for gold-bar exchange.

Events Following Ministerial Order on Gold-Bar Dealings (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 9/22/34)

As sequels to the order issued by the Finance Ministry September 8 restricting Shanghai transactions in gold bars, several developments have occurred. On

September 15, the Shanghai Gold Bar Exchange was amalgamated with the Gold Bar Department of the Produce and Stock Exchange, in compliance with a law passed in 1933, which forbids the operation of two exchanges engaged in similar dealings in the same locality.

It was decided on September 17 to begin dealing in gold bars based on Chinese customs units in December 1934. Until that time, transactions will be carried out on the present basis.

Since the restrictive order of September 8 was promulgated, there has been some speculative trading, but apparently in much smaller volume. It looks as if there would be a still greater reduction in the volume of transactions which tend to disturb normal trade activities.

Shanghai Silver Exports in August Go Mostly to Great Britain (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 9/21/34)

In August 1934, Shanghai's exports of silver bullion in bars and other forms amounted to 77,700,000 yuan, of which 62,900,000 yuan went to Great Britain, and only 6,800,000 yuan to the United States.

Shanghai Silver Stocks (Pixley and Abell's Circular, London, 9/5/34)

Shanghai silver stocks on September 1, 1934, compared with the corresponding date in 1933, the final business day of 1933 (December 30), and June 30, 1934, were given as follows:

	<u>Taels of sycee</u>	<u>Yuan 1/</u>	<u>Bars</u>
September 2, 1933	114,400,000	290,000,000	2/ 6,340
December 30, 1933	145,600,000	345,000,000	2/ 11,540
June 30, 1934	106,200,000	384,000,000	3/31,000,000
September 1, 1934	72,000,000	347,000,000	3/30,400,000

1/ Given as "dollars" by Pixley and Abell.

2/ Number of bars.

3/ Bars in ounces.

Loan to Aid Silk Cocoon Raisers Granted Chekiang Province (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 9/22/34)

The Chekiang Provincial Government has secured a short-term loan of 3,000,000 yuan from 14 banks in Shanghai, headed by the Bank of China. The proceed will be used to assist the silk industry by the purchase of cocoons from raisers.

FRENCH INDOCHINA

(One piastre = 10 French francs, or on September 24 = \$0.6673)

French Decree Authorizes Indochina 5 Percent Loan (Acting Commercial Attache Daniel J. Reagan, Paris, 9/6/34)

A decree of the French Colonial Minister, published in the August 29, 1934, issue of the Journal Officiel (Paris), authorized the Government of French Indochina to contract a loan of 170,000,000 francs, bearing interest at 5 percent and

running for a maximum period of 15 years from the date of issue.

The bonds will be retired either by means of semiannual drawings in Paris or through open market purchases at prices below par. The latter method of redemption is reserved as a right of the Indochinese Government, which is also authorized to call in any part of the issue by repayment of the principal at par plus accrued interest upon giving a month's prior notice. The payment of principal and interest is made a charge on the net proceeds of all French and Indochinese taxes, both present and future. Reimbursement of principal and interest is guaranteed by the French Government.

An announcement in the Journal Officiel of September 5 names September 1, 1934, as the date of issue and fixes $92\frac{3}{4}$ as the price at which the bonds will be offered to the public. The maximum expense of issue for the loan is set at 35.95 francs per 1,000 francs face value, including advertising costs of 2.50 francs per thousand.

The purpose of the loan is to provide funds for repayment to the Indochinese Government's cash and treasury reserves of sums used for loans to planters.

IRAQ

(One dinar = one pound sterling, or on September 24 = \$4.9855)

Iraq Circulation on June 30, 1934 (Vice Consul Stanley G. Slavens, Baghdad, 8/1/34)

Iraq national currency in circulation on June 30, 1934, amounted to 3,174,365 Iraq dinars, according to a statement given out by the Government Currency Officer. That sum was the equivalent of \$15,935,312, taking the exchange value of \$5.02 for the dinar, which in turn is linked with the pound sterling. Coins in circulation totaled 498,600 dinars (\$2,502,972), and notes 2,675,765 dinars (\$13,432,340).

JAPAN

(On September 24 one yen = \$0.2976)

Expected Large Increase in Japanese Budget Revenue (Radiogram from Commercial Attache Frank S. Williams, Tokyo, 9/10/34)

The Finance Minister is reported to be preparing the budget for the year ending March 31, 1936, in which he looks for an increase of 100,000,000 yen in revenues over those for 1934-35. From taxes alone a yield higher by 50,000,000 yen is expected.

Amount of National Debt on September 1, 1934 (Radiogram from Commercial Attache Frank S. Williams, Tokyo, 9/10/34)

The national debt on September 1 totaled 8,340,000,000 yen, the domestic debt amounting to 6,932,000,000 yen and the foreign debt to 1,408,000,000 yen. On the corresponding date in 1933, total debt was 7,405,000,000 yen, of which 5,984,000,000 yen was domestic and 1,421,000,000 yen foreign.

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Deposits Increase and Loans Decline in Year Ended July 31, 1934 (Monetary Statistics, Bank of Japan, July 1934)

Deposits in all Japanese banks on July 31, 1934, totaled 12,327,469,000 yen, compared with 11,669,322,000 yen on the corresponding date of 1933.

Total loans, 10,119,639,000 yen, on July 31, 1934, were less than they were on the corresponding date of 1933, when they amounted to 10,607,944,000 yen. However, that decline in the total arose from decreased amounts of ordinary loans, advances on bills, and overdrafts. The amounts of call loans and of discounts on July 31, 1934, were both slightly greater than they were on the corresponding date of 1933.

Deposits and Loans in all Japanese Banks
(In thousands of yen)

Item	July 31, 1933	December 31, 1933	June 30, 1934	July 31, 1934
Deposits:				
Savings, ordinary and deferred payment	1,138,108	1,167,728	1,191,481	1,189,352
Fixed savings	647,123	650,658	634,216	642,869
Public	252,334	273,586	201,823	354,550
Current	1,129,466	1,314,104	1,291,677	1,222,456
Special current	1,877,451	1,919,217	2,024,785	1,985,794
Demand	567,692	591,846	649,880	603,301
Fixed	5,629,131	5,557,128	5,851,560	5,864,039
Other	428,017	409,416	404,595	465,108
Total deposits	11,669,322	11,883,683	12,250,017	12,327,469
Loans:				
Ordinary	3,702,725	3,662,227	3,464,397	3,424,196
On bills	3,950,493	3,791,700	3,726,148	3,710,602
Overdrafts	825,717	813,350	795,077	787,483
Call	447,404	474,473	518,806	460,812
Discounts	1,681,605	1,827,148	1,635,418	1,736,546
Total loans	10,607,944	10,568,898	10,139,846	10,119,639

Heavy Government Bond Sales in 8 Months of 1934 (Radiogram from Commercial Attache Frank S. Williams, Tokyo, 9/10/34)

The Bank of Japan sold 800,000,000 yen of Government bonds during the 8 months January to August 1934, consisting of 170,000,000 yen of 4½ percent bonds, and 630,000,000 yen of 4 percents. The volume of sales, together with 454,000,000 yen in bonds underwritten by the Bank during the same period, meant an absorption of available capital that recently brought about a straitened money market and high interest rates. However, conditions eased in early part of September so far as short-term interest rates were concerned, and the downward course of prices for Government securities, which had lately been in evidence, was also checked.

Stock-Market Decline in Early September (Radiogram from Commercial Attache Frank S. Williams, Tokyo, 9/17/34)

In the first 13 days of September, security prices experienced the greatest decline recorded since 1932. Issues of rayon-manufacturing companies fell from 8526

30 to 40 yen, and other stocks from 20 to 30 points, below the high points recorded in August. There was no indication of financial instability to account for this slump. On September 14 and 15 a recovery took place, and many issues regained most of their losses.

NETHERLAND INDIA

(On September 24 one guilder or florin = \$0.6861)

Government Revenues for 5 Months of 1934 (Trade Commissioner Charles E. Brookhart, Batavia, 8/20/34)

The Treasury reports that receipts for the first 5 months of the year aggregated 153,400,000 florins, in comparison with 148,300,000 florins during the corresponding period of last year. The most important gains were in revenue from the Government-operated tin mines and from the new excise tax on sugar. Under the increased tariff schedule, effective since January 10, 1934, customs receipts yielded 19,900,000 florins revenue for the first 5 months, compared with 19,500,000 florins for the corresponding period of last year and 19,200,000 florins in 1932. The slight gain in revenue from this source in the face of much higher import duties reveals the further decline in import trade during this period.

Definite information regarding expenditures is not available, but apparently they have been scaled down substantially.

Conversion of Dollar Loans Saves Money for Government (Trade Commissioner Charles E. Brookhart, Batavia, 8/20/34)

The conversion of the Government's outstanding dollar loans has been completed. The resulting lower rate of interest now payable on the refunding obligations will result in a yearly saving of about 19,000,000 florins.

Estimated Amount of Investments in Eastern Sumatra (Trade Commissioner Charles E. Brockhart, Batavia, 8/8/34)

The Commercial Association at Medan, Sumatra, in its annual reports estimates total investments of foreign capital in the Province of the "Oostkust van Sumatra" at the close of 1933 at over 697,000,000 florins. Of this total, it is estimated that 54.1 percent consisted of Dutch capital, nearly all of which is invested in agricultural estates. The production of two important products, namely tobacco and fibers, remains almost exclusively in Dutch control.

Next in importance is the British investment, which is to be found principally in rubber and tea production. American investments, which are also important, are devoted entirely to rubber. French and Belgian investments are mainly in rubber and palm-oil enterprises. German interests are somewhat diversified.

Uncertainty on Gold Shipping Point Batavia-New York (Various sources)

Just what exchange rate between Batavia, in Netherland India, and New York may be considered the gold shipping point, calling for the outflow of the metal to the United States, is not at all certain. Very little gold is actually shipped out of Batavia, inasmuch as the Bank of Java keeps a considerable part of its gold

stock in Amsterdam, from which it can make withdrawals whenever necessary. In that way transportation costs from Amsterdam to New York largely determine the Batavia gold point.

In Batavia there is some difference in local opinion regarding the exchange level that marks the gold point. The Bank of Java sets it at slightly above 144.0, or the equivalent of 144.00 florins to \$100. Reciprocally, that rate would be equivalent to a little less than \$0.69. By other banks the gold point is placed as high as 146.

Early in August some exchange on New York was purchased at between 145 and 146, or at rates well above the level, around 144-149, which is set as the New York gold point by the Bank of Java.

NEW ZEALAND

(On September 24 one pound = \$3.97)

Budget Operations for 3 Months of 1934-35 (Vice Consul Walter W. Hoffman, Wellington, 8/8/34)

For the first 3 months of the fiscal year ending March 31, 1935, the Finance Minister announced that Government revenues from all sources amounted to £4,764,439 and expenditures to £5,004,019. In the corresponding quarter of 1933, revenues were £4,214,978 and disbursements £6,470,249.

Receipts from taxation, £3,926,389, for the first quarter of 1934-35 show a substantial increase over the amount brought in by taxes, £3,505,128, in the corresponding period of 1933-34. Other sources of revenue also showed higher yields.

The decline of £1,466,230 in total expenditures was considerably less than the reduction of £1,683,175 effected under the head of exchange, which was partly offset by increases in other items of expenditure.

New Zealand Budget Results, First
Quarter of Fiscal Year

(In thousands of New Zealand pounds)

Item	April-June 1933	April-June 1934
<u>Receipts:</u>		
Taxation	3,505	3,926
Interest	494	576
Other receipts	216	262
Total receipts	<u>4,215</u>	<u>4,764</u>
<u>Expenditures:</u>		
Permanent appropriations:		
Debt services	2,329	2,343
Exchange	2,061	378
Highways	32	34
Other services	34	162
Annual appropriations:		
Prime Minister's Department and Finance	68	102
General administration	125	136
Law and order	116	114
Defense	103	111
Development of industries	192	240
Social services, etc.	1,412	1,376
Total expenditures	<u>6,472</u>	<u>4,996</u>
Maintenance of public buildings:		
Credit (deduct)	2	---
Expended	---	8
Net total expenditures	<u>6,470</u>	<u>5,004</u>

Establishment of Reserve Bank and London Exchange Rates (Vice Consul Walter W. Hoffman, Wellington, 8/8/34).

Before the opening for business of the Reserve Bank in New Zealand on August 1, 1934, it was believed in some quarters that its establishment would be followed by discontinuance of the fixed-exchange relation with Great Britain, which makes £100 sterling equivalent to £125 in New Zealand currency. However, no such step is to be taken by the management of the bank, which announced 2 weeks before the opening date that, unless unforeseen circumstances arose, the present exchange rate would be maintained. The establishment of the Reserve Bank will open up the market, hitherto greatly restricted, for the transfer of capital funds from London to New Zealand. Under the old system, by which the Government assumed the liability for losses occasioned to the trading banks by the fixed exchange rate, this liability was restricted to purely commercial transactions, and the artificial rate was accordingly not applicable to transfers from London of funds other than those incident to commerce. This restriction has now been

lifted, and the exchange market is once more open to everyone. A slight downward revision of the rate by the trading banks has been announced, in that they will now buy London exchange at the rate of £124 New Zealand for £100 London for telegraphic transfers, and £123. 10s. New Zealand for £100 London on demand drafts. The sale of £100 sterling will be at the rate of £124. 10s New Zealand for telegraphic transfers, and £124. 7s 6d. New Zealand for demand drafts. These rates are exactly 10s. less in each instance than the rates in effect before the opening for business of the Reserve Bank. As the Reserve Bank has announced that it is willing to enter into forward engagements for London exchange, it is not believed that there will be any alteration in these rates for some time to come, unless, of course, some unexpected circumstances arise to alter the present situation.

PHILIPPINE ISLANDS

(One peso - 50 cents. Philippine currency is pegged to the U.S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U.S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Light Demand for Loans from Manila Banks in Mid-September (Radiogram, Acting Trade Commissioner C. Grant Isaacs, Manila, 9/20/34)

Around the middle of September 1934 there was reported to be a slight demand for loans at Manila banks. In fact, loans outstanding at that time were being paid off to a considerable extent. The total amount of loans in force was well below the level recorded in September 1933. However, bankers expected more applications for accommodation before October 15, the final, or "dead-line", date for shipping sugar.

Proposed Abolition of Wharfage Tax (Radiogram from Acting Trade Commissioner C. Grant Isaacs, Manila, 9/15/34)

The Collector of Customs has submitted to the Secretary of Finance a proposal to abolish the wharfage tax of 2 pesos per ton on exports. This measure, which is endorsed by leading exporters and is intended to promote the development of Philippine ports as distribution points for United States products in the Far East, would do away with a tax that yielded only about 3,780,000 pesos in 1933.

TURKEY

(One Turkish pound = 12.06 French francs, or on September 24 = \$0.8048)

Ish Bank's Development (Assistant Commercial Attache John A. Embry, Istanbul, 8/28/34)

An exposition of the various Turkish industries created or supported by the Ish Bank during the 10 years of its existence illustrates not only the industrial development of Turkey but also the phenomenal growth of the bank itself during this period. The exposition was opened in the Galata Saray School on August 25. The bank was founded by Gazi Mustafa Kemal in August 1924, with a capital of only 250,000 Turkish pounds, and Celal Bey, the present Minister of National Economy was appointed chairman of the board of directors. The bank now has £500,000

capital and ~~£~~48,996,224 deposits. The number of depositors has grown to 57,191. Among the more important industrial enterprises owing their creation or continued existence to the Ish Bank are the woolen textile mills at Ankara, the silk mills at Bursa, the coal mines at Zonguldak, the sugar-beet industry at Alpulu, Eski Shehir, and Turhal, and the copper-mining industry at Ergani. Animated devices and illuminated posters, photographs, and charts effectively portrayed the growth of the bank's resources, the employment created by the industries it has fostered, and the steady growth of its important insurance business.

The Sumer Bank of Turkey (Commercial Attache Julian E. Gillespie, Istanbul,
8/29/34)

The Sumer Bank of Turkey was created by an act of the Grand National Assembly of Turkey (Law No. 2262, dated June 7, 1933) for the purpose of directing industrial developments in the country. It is specifically provided that the bank shall have the status of a legal entity and that it will be governed in all its operations by the law which created it and by private and commercial law.

The Sumer Bank has the following principal functions:

- (1) The management and operation of the factories which were turned over to it by the industrial office of the State and the administration of the Government owned or controlled factories according to the provisions of the Commercial Code;
- (2) With the exclusion of factories the creation of which may be authorized by special laws, the bank will prepare studies and projects relative to all industrial establishments that may be created with the aid of funds provided by the Government, and will establish and operate such industrial plants;
- (3) The bank will participate in, or may accord its assistance to, industrial enterprises the creation or extension of which is advantageous to the country;
- (4) The bank may engage in all kinds of ordinary banking operations, including the acceptance of savings deposits. The capital of the bank is fixed at 20,000,000 Turkish pounds, but it may be doubled if the Government so desires. The initial capital of the bank is composed of the following:
 - (a) All rights, privileges, and reserve funds transferred to it by the State Industrial Office and by the Bank of Industrial Credit;
 - (b) The fixed capital and working capital, as well as the accumulated amortizations of the various factories transferred to it by the State Industrial Office;
 - (c) The participations of the Government (in factories and other establishments) which may be transferred by the State Industrial Office;
 - (d) The funds and working capital which may be transferred by the Bank of Industrial Credit;
 - (e) Funds voted by the State;
 - (f) In addition, the bank may by decision of the Council of Ministers issue bonds or conclude loans not to exceed 20,000,000 Turkish pounds.

Article 60 of the Statutes of the Sumer Bank specifically provides that it is not granted authority to make loans to the Government. (Copies of a French translation and of a free English translation of the Statutes of the Bank, published in the Official Gazette on May 17, 1934, may be had upon application to the Finance and Investment Division of the Bureau of Foreign and Domestic Commerce)

Grosvenor M. Jones, Chief
Finance and Investment Division

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

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no responsibility for the statements or opinions therein.

AUSTRALIA

(On October 10 one pound = \$3.8771)

Commonwealth and State Finances in July 1934 (Acting Trade Commissioner Wilson C.
Flake, Sydney, 8/24/34)

In July 1934, total revenues of the Commonwealth amounted to £5,641,000 and
expenditures to £5,450,000, resulting in a surplus of £191,000 for the month in
question. Those totals compared with revenues of £6,276,000, expenditures of
£5,304,000, and a surplus of £972,000 in July 1933.

For the 6 constituent States total revenues amounted to £6,847,000, expend-
itures to £8,393,000, and the consequent combined deficit to £1,546,000 in July
1934. Two States had surpluses, namely, Queensland £116,000, and Tasmania £42,000
For the corresponding month of 1933, the 6 States had total revenues of
£6,944,000 and expenditures of £8,735,000 with a net deficit of £1,791,000, which
included a surplus of £51,000 for one State, Queensland.

Revenues and Expenditures of Australian
Commonwealth and State Governments
(Thousands of Australian pounds)

	Revenue		Expenditures		Deficit	
	July 1933	July 1934	July 1933	July 1934	July 1933	July 1934
Commonwealth	6,276	5,641	5,304	5,450	1,972	1,191
States:						
New South Wales	3,290	3,127	3,413	3,268	123	141
Victoria	1,345	1,261	2,361	2,269	1,016	1,008
South Australia	734	714	1,126	1,111	392	397
Queensland	896	914	845	798	1,51	1,116
Western Australia	499	615	789	773	290	158
Tasmania	180	216	201	174	21	1,42
Total, States	6,944	6,847	8,735	8,393	1,791	1,546
Grand Total	13,220	12,488	14,039	13,843	819	1,355

1/ Surplus

9489

(Over)

Savings by Possible Conversion of Australia's Foreign Loans (Various sources)

It has been stated that, if the Commonwealth Government converted the remainder of its loans held abroad and brought the rate of interest on them down to $3\frac{1}{2}$ percent, an annual saving of between £800,000 and £900,000 in interest charges would be effected. Since the amount of possible savings indicated comes to about 1 percent on the principal sum of the loans, £85,000,000, the statement cited seems to mean that at present the loans held by foreigners pays interest at around $4\frac{1}{2}$ percent.

Commonwealth Grants to Minor States (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/24/34)

In the fiscal year ended June 30, 1934, the Commonwealth Government, from its Consolidated Revenue Fund made grants to the three most thinly populated States, namely, £1,150,000 to South Australia, £600,000 to Western Australia, and £380,000 to Tasmania. However, for the year ending June 30, 1935, much larger amounts were asked by the three state governments -- £2,000,000 for South Australia, £1,500,000 for Western Australia, and £1,100,000 for Tasmania.

The Grants Commission, in a report submitted the end of July 1934, recommended some increases over the grants made in 1933-34, but considerably less than the amounts asked. Those recommendations, which were accepted by the Commonwealth Government, provide for grants of £1,400,000 to South Australia, of £600,000 (unchanged from the amount of the 1933-34 grant) to Western Australia, and of £400,000 to Tasmania. The claims for assistance, put forward by these three States, invariably have been on the grounds of disabilities suffered by them, due to Commonwealth policy, especially the tariff. However, the Grants Commission in its report states:

The adverse effect of the tariff appears to be exaggerated by the Claimant States. The tariff is only one of a number of factors that affect prosperity and it is not certain that the injury outweighs the cash benefits.

Uses of Australian Treasury Bills (44th Balance Sheet of the Commonwealth Bank of Australia, Sydney, 6/30/34)

In the Directors' Report, accompanying the publication of the Commonwealth Bank's half-yearly balance sheet of June 30, 1934, a brief outline is given of the way in which Treasury bills have been employed since they were first issued in 1927. Their original purpose was to provide the Government with cash against the receipt of revenue expected in the future. Following the adoption of the Premiers' Plan in 1931, bills were issued to finance budget deficits, and also to provide money for public works and other purposes, which would ordinarily call for regular loans. The Commonwealth Bank undertook to discount the bills at a fixed rate and also to pay them when they matured.

In February 1933, the issue of bills to finance public works was discontinued. The Commonwealth Bank in June 1934 conveyed to the Loan Council a wish to have deficits financed by other means than Treasury bills after the close of the fiscal year ending June 30, 1935. During that year deficits will be covered

by Treasury bills on the understanding that bills so issued will be retired by funding loans. This arrangement has operated to restrict the growth of the floating debt.

The present rate of interest on Treasury bills, $2\frac{1}{4}$ percent, which was established in April 1934, is the lowest since they have existed. When they were first put out in June 1927, they bore interest at 4 percent. The rate was raised to $4\frac{1}{2}$ percent in February 1928, to $5\frac{1}{2}$ percent in October 1929 and to 6 percent in October 1930. Since the latter date, the rate has gradually declined to 4 percent in July 1931, to $3\frac{1}{2}$ percent in November 1932, to $3\frac{1}{4}$ percent in January 1933, to $2\frac{3}{4}$ percent in February 1933, to $2\frac{1}{2}$ percent in June 1933 and, finally, in April 1934 to $2\frac{1}{4}$ percent, the rate that now applies.

AUSTRALIA

Commonwealth Bank's Balance Sheet for June 30, 1934. (44th Balance Sheet of the Commonwealth Bank of Australia, Sydney).

The General Banking Department of the Commonwealth Bank, in its balance sheet drawn up for June 30, 1934 shows total liabilities and assets amounting to £95,487,801. The greater part of liabilities consists of deposits including accrued interest, £83,572,653, with general banking capital given as £4,000,000, the reserve fund as £1,812,191, bills payable and other liabilities as £3,825,141 and the capital of the Rural Credits Department as £2,000,000. The assets show a highly liquid condition. Coin, bullion and cash balances with other banks amount to £1,000,506, and Australian notes on hand to £6,888,336. Money is loaned at short call in London to the amount of £25,744,113, and short term loans in Australia total £8,735,933. Commonwealth, British, Colonial and other government securities amount to £37,388,616. Another leading item under assets, amounting to £12,167,078, consists of bills discounted, loans and advances to customers and other assets.

A special balance sheet is drawn up for the Note Issue Department of the Bank which on June 30, 1934, showed liabilities and assets totaling £50,238,331. Against the amount of notes in circulation, £46,300,107, there were recorded £15,707,537 in gold and sterling reserve, £28,375,000 in debentures and other securities, £4,984,633 in money at short call in London, and £1,171,161 in other assets. Aside from notes in circulation, there were given three other items under liabilities in the form of £3,319 as a reserve for notes not presented, £5,894,905 set up as a special reserve for premium on gold sold, and £40,000 designated as "other liabilities".

Savings Deposits in Middle of 1934 Increase over 1933 (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/27/34)

Records compiled by the Commonwealth Statistician give total savings bank deposits on June 30, 1934, as £210,103,000, an increase of £7,821,000 over the amount on June 30, 1933.

Increases were shown for all of the States and the two territories, Federal Capital, and Northern. By political divisions, savings deposits, in thousands of Australian pounds, on June 30, 1934, with the totals for the corresponding date of 1933 shown in parentheses, were as follows: New South Wales 75,714 (72,308); 9489 (Over)

Victoria, 69,971 (67,814); Queensland, 24,834 (23,453); South Australia, 22,866 (22,515); Western Australia, 10,399 (10,064); Tasmania, 6,039 (5,865); Federal Capital Territory, 236 (225); Northern Territory, 44 (38). Savings per capita in the 10 years, 1925 to 1934, inclusive, varied from a maximum of £35.4 in 1929 to a low point of £29.7 in 1931. The per capita amount for June 30, 1934 was given as £31.5, compared with £30.5 in 1933, and with £30.2 in 1932.

On the interpretation of yearly savings figures, the Commonwealth Statistician points out that, to some extent, business men or concerns and various institutions maintain savings accounts, which probably fluctuate more widely from year to year than the amounts of savings deposited by individuals for private investment.

Present Low Rates of Interest on Bank Deposits (44th Balance Sheets of the Commonwealth Bank of Australia, June 30, 1934).

Over a period extending back to January 1913, the rates now paid by the Commonwealth Bank on fixed (time) deposits are the lowest recorded, at least on deposits for 6 months, 12 months, and 24 months. The rates in force, established in April 1934, are, respectively, 2 percent (reduced to $1\frac{1}{2}$ percent August 8) for 3 months, $2\frac{1}{4}$ percent for 6 months, $2\frac{1}{2}$ percent for 12 months, and $2\frac{5}{8}$ percent for 24 months.

The present maximum rate paid on savings deposits, $2\frac{1}{4}$ percent, by the Commonwealth Savings Bank, is also the lowest recorded for a period that began with January 1913. In that month, the maximum savings rate was set at 3 percent, where it remained until, in June 1921, it was advanced to $3\frac{1}{2}$ percent. There it was left unchanged until it was fixed at 4 percent in February 1928. From that point the maximum savings rate of interest has been successively reduced in July 1931 to 3 percent, in July 1932, to $2\frac{5}{8}$ percent, in November 1932, to $2\frac{1}{2}$ percent, and in April 1934, to $2\frac{1}{4}$ percent.

Record Low Rate on Three Months' Time Deposits (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/23/34)

On August 8, 1934, Australian banks reduced the annual rate of interest payable on time deposits for 3 months from 2 to $1\frac{1}{2}$ percent. The latter is said to be the lowest rate ever paid in Australia on deposits of this particular class.

Lowered Interest Rate on Rural Credits (Acting Trade Commissioner Wilson C. Flake, Sydney, 8/23/34)

The rate charged on advances in the Rural Credits Department of the Commonwealth Bank was reduced from 4 to $3\frac{5}{8}$ percent on July 1, 1934.

BRITISH INDIA

(On October 10 one rupee = \$0.3686)

Government Revenues for Four Months Ended July 31, 1934 (Various sources)

For the first 4 months of the fiscal year, April to July, 1934, Government revenues amounted to 438,336,000 rupees, which was slightly more than the total, 9489

437,927,000 rupees, in the period April to July 1933, and not much less than the revenue collected, 453,205,000 rupees, in the four months ended July 31, 1932.

Indian Government Revenues in 4 Months of
Fiscal Year
(In thousands of rupees)

	April-July 1932	April-July 1933	April-July 1934
Customs	164,267	154,834	154,593
Land revenues	123,399	131,100	131,610
Excise	44,974	45,759	46,248
Stamp taxes	41,676	41,843	42,102
Income taxes (including supertaxes and excess profits duty)	27,316	25,210	26,864
Salt tax	45,807	28,147	26,379
Foreign revenue	6,903	6,989	7,296
Opium	3,833	4,045	3,244
Total	458,205	437,927	438,336

Revenue Stamp Charges on Bills for Shipment to India (Various sources)

Calcutta newspapers carry a notice to the effect that the exchange banks in India will, from October 1, 1934, deduct at the time of making advances to shippers in London the cost of Indian revenue stamps to be affixed to foreign bills on their arrival in India. So far, apparently, this practice has not been followed in connection with advances to American firms. However, as it is the custom of the banks in New York to follow the lead of the Eastern banks in London in such matters, this plan may be applied to bills originating in the United States.

Indian Circulation and Reserves on August 31, 1934 (Currency Department,
Calcutta, 9/5/34)

Indian note circulation on August 31, 1934, as shown in the following table, amounted to 1,848,920,609 rupees, a total substantially greater than the outstanding circulation, 1,797,603,270 rupees on August 31, 1933. During the 12 months reserves in the form of silver coin fell from 954,481,652 rupees to 859,063,183 rupees but reserves of silver bullion rose from 99,636,628 rupees to 132,444,511 rupees, and of gold bullion from 293,126,602 rupees to 415,529,102 rupees. Total bullion reserves, therefore, increased from 1,347,244,882 rupees to 1,407,036,796 rupees and the ratio of metal reserves to note circulation rose from 75.0 to 76.1

Securities held as additional reserves and with values entered at their purchase prices were recorded as 441,883,813 rupees on August 31, 1934, against 450,358,388 rupees on August 31, 1933.

British Indian circulation and reserves
(Amounts in thousands of rupees)

	August 31, 1933	December 31, 1933	August 31, 1934
Notes in circulation	1,797,603	1,781,074	1,848,921
Reserve:			
Coin and bullion in India			
Silver coin	954,482	907,399	859,063
Silver bullion	99,637	104,900	132,445
Gold bullion	293,126	305,055	415,529
Total coin and bullion	1,347,245	1,317,354	1,407,037
Securities:			
In India	450,358	463,720	315,048
In England	---	---	126,336
Total securities	450,358	463,720	441,884
Percentage ratio of metallic reserves to circulation	75.0	74.0	76.1

Indian Government's Loan in September 1934 (Trade Commissioner George C. Howard,
Calcutta, 9/6/34)

On September 4 the Government of India announced the issue of a 3 percent rupee loan at a price of 99 for an unspecified amount redeemable in 1941. Subscriptions were to be received on September 10 and 11, and could be in the form of $4\frac{1}{2}$ percent bonds, which were to be called as of September 15, or in cash.

This is another step in Government of India's conversion program and it was expected that, due to the present cheapness of money, a large proportion of the 85,000,000 rupees of the $4\frac{1}{2}$ percent bonds would be converted into the new obligations. However, when subscriptions were opened, only 20,600,000 rupees in these bonds were offered. In addition, there were cash subscriptions to the extent of 85,900,000.

Features of the 3 Percent Loan (Calcutta and Bombay Press)

Indian Finance (Calcutta) in a special New Loan Supplement issued on September 5, commented on the low rate of interest on this loan as contrasted with the rate of $6\frac{1}{2}$ percent, which the Government had to offer as recently as the autumn of 1931 on a 4-year loan. The loan of 1931, which had a year to run, has been quoted lately at 104. Another loan at 5 percent, also falling due in 1935, commands a premium of about $2\frac{1}{2}$ points in the open market. The 5 percent loan of 1940-43, maturing in 6 years, is quoted at a premium approximating 9.7 percent.

It has been suggested that the new loan has been put out by way of an experiment. That is to say, there was really no assured strong demand for a 3 percent

loan of the "giltedge" class, and the Government was chiefly concerned in testing the market for such a security.

An editorial in September 7 issue of the Financial News (Bombay) states that not since 1896 has the Indian Government been able to issue a loan at so low a rate as 3 percent. The writer goes on to declare that, if it is possible to float such a loan, "there is no justification for a bank rate of $3\frac{1}{2}$ percent in this country," and then goes on to elaborate that statement in the following words: "This is, perhaps, the first time in living memory when the Government has issued a loan, the yield on which is lower than the bank rate. It will be impossible for the Imperial Bank with its present $3\frac{1}{2}$ percent rate to give temporary assistance to those who may like to subscribe in cash for the loan. Therefore, it will be in fitness of things if the bank rate is immediately reduced to 3 percent. Apart from the immediate necessity in connection with the new loan the reduction in the bank rate will considerably help the trade recovery in this country."

CHINA

(On October 10 one yuan = \$0.3650)

Chinese Savings Bank Law Passed by Assembly (Chinese Economic Journal August 1934)

The following is a summary of the English text of the Savings Bank Law, which was passed at the 64th meeting of the Legislative Yuan on June 22, 1934.

The new measure defines a savings bank as "one which receives petty deposits and pays compound interest thereon". However, any bank is declared by the law to be considered a savings bank, even if it does not so designate itself, if it operates in ways carefully defined and, therefore, presumably subject to the law's prescriptions.

A savings bank must be incorporated as a joint stock company with limited liability, and also with the prior approval of the Finance Minister. A bank accepting savings deposits must have a minimum paid-up capital of 1,000,000 yuan. That minimum, however, is set at 500,000 yuan for an institution functioning as a savings bank alone, unless it is situated in a community of minor importance. In that case, the Finance Minister may make a special exception and permit the capital to be less, but not less than 100,000 yuan.

A savings bank must confine itself to certain activities specified as the acceptance of demand and fixed, or time, deposits, conducting a safe deposit department, making collections and remittances, buying and selling securities for customers' account, acting as receiving and paying agent for benevolent and cooperative societies, and receiving deposits withdrawable at short notice from such societies.

Demand deposits accepted by a savings bank are limited to 5,000 yuan for each account, and their total shall not exceed 40 percent of all deposits on hand with the bank. Moreover, those deposits must not be subject to withdrawal by check.

Fixed (time or savings) deposits shall not exceed 20,000 yuan for each account.

The maximum periods for fixed deposits and the maximum rates of interest are to be decided, subject to the Finance Minister's approval, by the local bankers' association or by the banks of the community in accordance with local conditions. In the absence of a local bankers' association or of other banks already operating in the community, the savings bank shall have its period for deposits and its interest rates approved by the Finance Minister.

Savings funds held by banks may be employed in the purchase of Government bonds or other securities approved by the Finance Minister and in advances against such bonds and other approved securities held as collateral, to the maximum extent of 10 percent of the bank's total capitalization in shares and bonds; in loans against income-producing real property, to the extent of 20 percent of the bank's total deposits; in loans against fixed deposits with other banks, to the extent of 1/15 of its total deposits; in buying bills payable by other banks to the extent of 5 percent of its total deposits; in making deposits with other banks to the extent of 1/15 of its total deposits; and in making secured loans to agricultural cooperatives and loans on farm products in an amount not less than 20 percent of its total deposits.

A savings bank is required to keep with the Central Bank government loan bonds or other adequately secured assets amounting to at least 25 percent of its total deposits to guarantee savings it holds on deposit. The deposit balances held at the end of a year will serve as the bases in fixing this requirement.

At least every three months a savings bank must publish a statement of assets and liabilities, together with a list of assets, and submit them for approval directly to the Finance Minister.

The Finance Ministry or officials appointed by it shall from time to time examine the operation of savings banks and the state of their assets. Depositors with deposits exceeding 5 percent of a bank's total deposits may petition the Finance Minister or the designated officials to conduct a special examination jointly with a representative of the petitioners.

Shareholders, directors and supervisors of a bank which operates a savings department shall also be considered shareholders, directors and supervisors of the savings department. Directors and supervisors must assume unlimited liability for obligations to depositors, if the assets of a bank should prove insufficient to meet those obligations, and that liability shall hold for 2 years after any director or supervisor has given up his office.

Assets and liabilities of the savings department shall be kept separate from those of the bank's other departments. Moreover, the assets of the savings department shall not be used to support the liabilities of other departments.

Offering prizes to attract deposits is prohibited. Any deposits, which have been secured by that means before the present law comes into force, shall be refunded in a manner to be prescribed by the Finance Minister and approved by the Executive Yuan.

Various penalties for infractions of the law's various articles are laid down. Thus, for disregarding the minimum capital provisions, the bank itself may be fined from 1,000 to 5,000 yuan and compelled to suspend operations. Fines, ranging from 100 to 3,000 yuan, shall be imposed on directors, supervisors or

liquidators who do not observe requirements as to amounts of individual deposits, the ratios of deposits in various categories to total deposits or to capitalization, or the prescriptions on kinds and amounts of investments for banking funds. Imprisonment for as long as 3 years, and fines of from 1,000 to 5,000 yuan, may be incurred by directors or supervisors, or shareholders if there are no directors or supervisors, for offering prizes to attract deposits.

Chinese Bank Note Issues at End of 1932 (Bankers Annual, 1934 edition -- Research Department, Bank of China)

Only for as late as the end of 1932 are there available records of notes in circulation issued by individual Chinese banks. At that time the notes in circulation amounted to 559,531,575 yuan. Of that total, 184,426,937 yuan had been issued by the Bank of China, 94,500,925 yuan by the Bank of Communications, and 39,995,360 yuan by the Central Bank of China, to name the three banks operating branches outside Shanghai and also having larger amounts of notes circulating in 1932 than any other single institutions. Three banks, with their operations confined to particular cities or provinces, also each had notes in circulation at the end of 1932 in excess of 30,000,000 yuan -- the China Industrial Bank with 35,860,485 yuan, the Kwangtung Provincial Bank with 33,761,626 yuan, and the Joint Savings Society, operating 3 banks in Shanghai, with 32,307,857 yuan. The China Industrial Bank also operates in Shanghai. The 6 institutions named, together with the Ningpo Bank, which had 15,094,600 yuan in notes circulating at the end of 1932, had among them issued 435,947,790 yuan, or 77.9 percent of the total circulation recorded for 1932. The remainder which was divided among 17 other banks, consisted of notes issued by various banks but bearing superimposed marks to show they had been placed in circulation by banks other than those issuing them.

Announcement of China's Intended Gold Policy (Radiogram, Acting Commercial Attache A. Bland Calder, Shanghai, 9/27/34)

The Finance Minister on September 24, made a public statement to the effect that the Chinese Government would not restrict the re-export of gold, but it would encourage gold importations into China intended for foreign investment.

Loan for Chinese Government Railways (Radiogram, Acting Commercial Attache A. Bland Calder, Shanghai, 9/27/34)

The Chinese Minister of Railways has announced the progress of negotiations for a loan of 2,500,000 yuan from 4 Shanghai banks to develop the transportation of cold storage freight on 4 Government railways. Some months ago, when the project for this loan was considered, its amount was given as 1,500,000 yuan,

Shanghai Silver Stocks End of September (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 10/5/34)

Silver stocks held by banks in Shanghai on September 30, 1934, were estimated at 442,000,000 yuan, compared with 487,000,000 yuan August 31, with 550,000,000 yuan July 31, and 500,000,000 yuan on September 30, 1933, and with 431,000,000 yuan on September 30, 1932.

FEDERATED MALAY STATES
(On October 10 one dollar = \$0.5744)

Principal Items in F. M. S. 1933 Budget (Supplement to "F. M. S. Government Gazette" 8/10/34).

Of total revenues, S\$47,198,807, secured in 1933 by the Government of the Federated Malay States, over one-third was yielded by customs receipts, which actually brought in S\$16,850,073, compared with an estimated amount, S\$15,785,641 forecasted in the budget for that year. Customs and 8 other main sources contributed altogether S\$45,810,558, or over 97 percent of total receipts, in respective amounts given in thousands of Straits dollars, with budgeted allotments shown in parentheses, as follows: Customs, 16,850 (15,786); court fees, etc., 6,099 (4,205); excise taxes, 5,417 (4,916); lands and mines, 3,804 (4,552); rent and interest from Government property, 3,412 (3,273); Government-operated water and electric-power systems, 2,829 (2,905); municipal services, 2,768 (2,691); licenses and internal revenues, 2,631 (2,601); posts, telegraph and telephones, 2,002 (2,100).

Under expenditures in 1933, actually totaling S\$50,258,671 against a budgeted amount of S\$54,521,473, the two largest chief items were charges on the public debt, S\$6,944,842, and on pensions, retiring allowances and gratuities, which took S\$6,624,978. Those two classes and other main headings of expenditures occasioned outgo, shown by respective amounts in thousands of Straits dollars, with budgeted allowances in parentheses, as follows: Charges on public debt, 6,945 (6,945); pensions, retiring allowances and gratuities, 6,625 (7,235); medical and health services, 3,785 (4,506); police, 3,081 (3,296); education, 2,845 (3,085); public works - recurrent annual, 2,718 (3,425); other public works, 1,441 (1,501); municipal, 2,333 (2,850); posts and telegraphs, 2,072 (2,350); railway deficit, 2,040 (1,000); clerical services, 1,838 (1,975); civil service, 1,365 (1,505); military, 1,347 (1,412); trade and customs, 1,236 (1,442); electric power system, 1,106 (1,302); rulers and native officers, 1,061 (1,084); miscellaneous services, 1,231 (1,180).

Since 1929, when revenues amounted to S\$81,799,584 and expenditures to S\$84,660,974, the totals involved in the F. M. S. budget have progressively declined. However, throughout the 3 years, 1930 to 1932, inclusive, revenues fell off much more steeply than expenditures. Consequently, the deficit in 1930 was only slightly less than S\$17,000,000 and it reached almost S\$10,000,000 in 1931, as well as in 1932. A recovery in revenues, with an accompanying continued decrease in expenditures during 1933, brought the deficit for that year down to a reasonable amount, S\$3,059,864, including the S\$2,039,910 required to meet the operating loss on railways.

The actual Government revenues and expenditures of the Federated Malay States (amounts in thousands of Straits dollars) for each of the 5 years ended with 1933 were as follows:

	Revenues	Expenditures
1929	81,800	84,661
1930	65,561	82,470
1931	52,349	62,163
1932	43,817	53,740
1933	47,199	50,259

IRAQ

(One dinar is equivalent to one pound sterling or
on October 10 = \$4.9043)

Government Budget for 1934-35 (Iraq Government Gazette, Baghdad, 5/13/34)

For the year ending March 31, 1935, the budget of the Iraq Government forecasts revenue amounting to 3,818,807 dinars, and provides for expenditures totaling 3,813,197 dinars.

The chief source of revenue is made up of import duties, which are expected to yield 1,719,000 dinars in 1934-35. Other leading revenue items with their budgeted yields are given in dinars as follows: Taxes on agricultural and natural produce, animals, and rent of Government property, 693,000; excise tax on tobacco, 201,100; postal and telegraph receipts, 186,150; income tax, 125,000; property tax 112,000; stamp taxes, 105,850.

Defense calls for the heaviest amount of expenditure on any single purpose, having allotted to it the total amount, 880,000 dinars, which includes 644,000 dinars for the pay and services of combatant forces, 54,930 dinars for military aviation, and 32,480 dinars for the British Military Mission. On the police, provision is made to expend 569,462 dinars. Education is allotted 399,645 dinars, of which 368,016 will go for upkeep of schools and payment of teachers, with the remainder devoted to central administration and the care of antiquities. Other chief items of expenditure, as the 1934-35 budget allows for them, are given in dinars as follows: Ministry of the Interior, 243,167; medical and health services, 210,045; customs and excise administration, 178,464; pensions and gratuities, 163,600; operation of posts and telegraphs, 143,490; Irrigation and Survey Department, 125,690.

Government Revenues and Expenditures in 1933-34 (Third Secretary and Vice Consul
Stanley G. Slavens, Baghdad, 8/30/34)

In the fiscal year ended March 31, 1934, the Iraq Government's revenues consisted of 3,574,827 dinars in ordinary receipts, 536,051 dinars from oil annuities, and 4,375 dinars as drawbacks on grants in aid to domestic industry. In 1932-33 ordinary receipts amounted to 3,664,372 dinars, and oil annuities to 524,397 dinars.

Expenditures in 1933-34 amounted to 3,553,167 dinars, compared with 3,669,750 dinars in the previous year. In addition, 328,248 dinars were expended on the capital works program in the year ended March 31, 1934, compared with 401,448 dinars in 1932-33.

JAPAN

(On October 10 one yen = \$0.2864)

Japan's National Debt End of August 1934 (Commercial Attache Frank S. Williams,
Tokyo, 9/10/34)

On August 31, 1934, the National debt totaled 8,340,360,000 yen, less by 4,296,000 yen than on July 31. The decrease was brought about by a decline of 4,335,000 yen in foreign obligations, which amounted to 1,408,300,000 yen on

(Over)

August 31. The total domestic debt on August 31 was 6,932,060,000 yen, an increase of 39,000 yen over the amount outstanding on July 31.

Short-term obligations did not change in amount during August. The consisted of 60,000,000 yen in Treasury notes and of 579,946,000 yen in rice-purchase notes.

Japanese Deposits Reach Record High Level in August (Radiogram, Commercial Attache Frank S. Williams, Tokyo, 9/21/34)

On August 31, 1934, the deposits held by all Japanese banks amounted to 12,401,000,000 yen, the highest total for that item ever recorded. It compared with 11,557,000,000 yen on the corresponding date of 1933, and with 12,327,000,000 yen on July 31, 1934.

Loans, amounting to 10,143,000,000 yen on August 31, 1934, also were slightly greater than their total, 10,120,000,000 yen; on July 31, but they showed a decline below their total, 10,456,000,000 yen, at the end of August 1933.

Mitsubishi Bank's Half-Yearly Statement of June 30, 1934 (Various sources)

The statement of the Mitsubishi Bank setting forth its condition on June 30, 1934, showed, for the half-year ending that date, profits amounting to 6,241,499 yen. With the addition of 4,229,012 yen brought forward as undivided profits from the half-year ended December 31, 1933, there was thus left the sum, 10,470,511 yen to be distributed as follows: Legal reserve, 1,000,000 yen; special reserve, 1,000,000 yen; pension reserve fund, 350,000 yen; bonus, 250,000 yen; dividend at the annual rate of 8 percent on the paid-up capital, 62,500,000 yen, 2,500,000 yen; carried forward as undivided profits, 5,370,511 yen.

Total assets (also liabilities), 869,099,692 yen, included, as main items, 259,368,023 yen in loans and discounts, 237,577,550 yen in holdings of Government and municipal bonds, 139,410,211 yen in bank debentures and corporation bonds, 34,013,186 yen in stocks and shares, and 52,081,189 yen in cash on hand.

Under liabilities the preponderant item consisted of deposits to the amount of 696,493,029 yen. Total subscribed capital, 100,000,000 yen, was the next largest item, followed by total reserve funds amounting to 43,443,695 yen.

Bank Deposits Decline and Loans Increase Slightly in August (Various sources)

On August 31, 1934, deposits in Japanese clearinghouse banks totaled 6,794,790,000 yen, or slightly less than their amount, 6,812,448,000 yen, on July 31, but showing an increase over the 6,360,856,000 yen, recorded as aggregate deposits on August 31, 1933. Loans on August 31, 1934, amounted to 4,999,665,000 yen, compared with 4,980,328,000 yen on July 31, and with 5,111,431,000 yen on August 31, 1933.

Final Accounts of 1933-34 Budget Totals (Various sources)

Early in September, the Finance Ministry gave out the final figures on Government receipts and outgo during the fiscal year ended March 31, 1934, for which

the accounts closed July 31. Total revenues in 1933-34 amounted to 2,331,759,000 yen, compared with 2,320,534,000 yen in 1932-33. Taxes, stamp duties, and Government enterprises yielded larger sums in the year ended March 31, 1934, because of improved business and financial conditions.

Expenditures in 1933-34 totaled 2,254,662,000 yen, compared with 2,375,834,000 yen in the year ended March 31, 1933. A large part of the decrease in expenditures arose from the fact that there were appropriations for 1933-34 but not disbursed sums amounting to 66,755,000 yen.

Part of Rice Notes Maturing in September Redeemed in Cash (Radiogram From Commercial Attache Frank S. Williams, Tokyo, 9/21/34)

The Government announced that, of the 100,000,000 yen in rice-purchase notes maturing September 25, 1934, it would redeem 25,000,000 yen in cash. The purpose of that step was to profit by the sale of rice stocks the Government holds, and also to help relieve the tightness of the money market.

NETHERLAND INDIA

(On October 10 one florin or guilder = \$0.6805)

Netherlands Indian Government's Loan of 485,000,000 Florins (Various sources)

With a prospectus dated August 27, 1934, the Government of Netherlands India announced a conversion loan to be offered September 14, amounting to 485,000,000 florins, bearing interest at 4 percent, and maturing October 1, 1974. Beginning October 1, 1935, 1.05 percent of the bonds will be drawn annually for retirement. Furthermore, the Government reserves the right to repay the entire loan at any time. The payment of principal and interest is fully guaranteed by the Government of the Netherlands.

As subscriptions to the loan there will be received the bonds of various loans issued by the Government from 1915 to 1929, inclusive, and bearing interest at rates of 5 or $4\frac{1}{2}$ percent. The conversion and redemption of those earlier bonds constitute the main purpose of this latest issue.

PHILIPPINE ISLANDS

(One peso = 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of two pesos for one dollar, charging $\frac{5}{8}$ percent premium for demand drafts and $1\frac{1}{8}$ percent premium for telegraphic transfers.)

Strengthened Position of Philippine National Bank Shown June 30, 1934 (Trade Commissioner C. Grant Isaacs, Manila, 9/11/34)

Increases in reserves, surplus, investments, cash and total resources were registered by the Philippine National Bank during the first half of 1934. With a paid-up capital of 10,000,000 pesos, the bank increased its surplus from 6,470,477 pesos to 7,270,779 pesos and its reserves for insurance, real estate depreciation and other contingencies from 6,469,169 pesos to 6,755,822 pesos. Separate reserves have been provided for various other liabilities.

The bank had total cash on hand of 7,990,716 pesos as of June 30, 1934, as against 5,089,567 pesos on December 31, 1933. For the first time, the bank made deposits with the Insular Treasurer as circulation reserve to the amount of 2,500,000 pesos.

Deposits and payments due from the United States and foreign banks and from local banks, increased from 11,683,009 pesos to 17,248,073 pesos and investments in banks and other securities from 31,413,096 pesos to 36,064,175 pesos. Total resources increased from 97,776,290 pesos to 107,984,385 pesos during the first half of 1934.

STRAITS SETTLEMENTS

(On October 10 one dollar = \$0.5744)

Government Savings Bank Increases Deposits in 1933 (Trade Commissioner Julian B. Foster, Singapore, 8/7/34)

The annual report of the Post and Telegraph Department shows that 68,937 deposits totaling S\$4,881,000 were made in 1933, as compared with 63,796 deposits amounting to S\$4,459,000 in 1932. On December 31, 1933, the credit balances of depositors totaled S\$6,843,000, against S\$5,725,000 on December 31, 1932.

As a result the considerable increases in the number of new accounts opened and in the amounts deposited in 1933, a regulation was adopted, restricting individual net deposits (total deposits minus any withdrawals) during 1933, to S\$2,000.

TURKEY

(One Turkish pound = 12.06 French francs or on
October 10 = \$0.7982)

French-Asiatic Bank Withdrawing from Turkey (Vice Consul Howard Elting, Jr., Istanbul, 8/25/34)

The press of July 25, 1934, announced that the Franco-Asiatic Bank had notified the Ministry of Economy of its intention to cease operations in Turkey.

New Law Regulating Foreign Exchange Transactions (Various sources).

Early in September a new decree law was promulgated to regulate dealings in foreign exchange. Among other provisions, is one limiting the amount of exchange available to Turkish citizens residing abroad to a monthly allowance of L200. The amount of exchange, which can be sent out of the country by a foreigner working in Turkey, is restricted to one-third the net amount of his salary or wages after taxes have been deducted. The decree also establishes new requirements governing foreign exchange employed by Turkish importers and the disposition of foreign exchange acquired by the sales of exported Turkish merchandise. (Note: It is expected that full details of the new law cited will soon be made available.)

Grosvenor M. Jones, Chief
Finance and Investment Division

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NOTES

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Note. - In giving quotations or summaries from foreign periodicals and newspapers, the Finance and Investment Division assumes no responsibility for the statements or opinions therein.

New Statistical Service on Gold and Silver Exports and Imports

The Bureau of Foreign and Domestic Commerce is now issuing detailed statements of the quantity and value of the principal classes of gold and silver exports and imports, by custom districts and by countries of destination and origin. These statistics are published in the form of mimeographed circulars, one of which is issued weekly and the other monthly. The Finance and Investment Division will be pleased to enter subscriptions at the price of \$5.00 a year for each series.

AUSTRALIA

(On October 26, one pound = \$3.9363)

Australian Government Finances Through August 1934 (Assistant Trade Commissioner
Wilson C. Flake, Sydney, 9/21/34)

The accounts of the Commonwealth and State Governments of Australia for the first 2 months of the financial year 1934-35 show a net setback of £1,286,000 as compared with the figures for the first 2 months of the previous financial year. The Commonwealth surplus, which stood at £2,450,000 on August 31, 1933, was only £544,000 on August 31 this year.

The two periods compare as follows:

(In thousands of pounds, Australian)

State	July 1 to August 31, 1934		August 31	
	Revenues	Expenditures	1933 (+) Surplus or (-) Deficit	1934 (+) Surplus or (-) Deficit
Commonwealth	11,715	11,171	+ 2,540	+ 544
Victoria	2,570	3,545	- 952	- 975
New South Wales	6,321	8,613	- 1,923	-2,292
Queensland	1,962	1,671	- 22	+ 291
South Australia	1,436	1,769	- 511	- 333
West Australia	1,329	1,534	- 491	- 205
Tasmania	405	329	- 249	+ 76
Total	25,738	28,632	- 1,608	-2,894

Australia's Short-term Debt Increased in August (Assistant Trade Commissioner
Wilson C. Flake, Sydney, 9/20/34)

The Australian short-term debt on August 31 was £82,267,000, an increase of £1,295,000 over July 31, while balances in banks to the credit of Governments declined £1,307,000.

Recent public loans temporarily reduced the short-term debt, but it is gradually creeping up again. The short-term debt is made up as follows:

(In thousands of pounds, Australian)			
State	London	Australia	Total
Commonwealth	10,220	-----	10,220
New South Wales	10,113	31,265	41,378
Victoria	5,953	5,450	11,403
South Australia	3,816	4,990	8,806
Queensland	---	429	429
West Australia	3,031	6,045	9,076
Tasmania	491	464	955
Total	33,624	48,643	82,267

The London total is unchanged. All of it is owed to the Commonwealth Bank, except £250,000 due the Westminster Bank, which is to be paid off at the end of September.

New South Wales Finances in 1933-34 (Assistant Trade Commissioner Wilson C. Flake,
Sydney, 9/26/34)

According to a report issued by the Auditor-General of New South Wales, revenue fell off in 1933-34. The report states:

The further substantial addition to the accumulated revenue deficiency focused attention on the reductions in taxation and the diminished revenue from that source. The receipts from income, unemployment relief, wages tax, special income tax, and family endowment tax fell by £4,007,306. To what extent the course of reducing taxation in the face of recurring revenue deficiencies may prove to have been justified cannot yet be determined.

Emergency measures which entail large expenditures from borrowed money on which the interest is paid by further borrowing are no more than a stop-gap, and the position calls for more extensive survey and financial planning than is embraced in an annual budget.

In the six financial years from July 1, 1928, to June 30, 1934, the gross increase in the New South Wales public debt amounted to £81,984,612, reduced by redemptions from sinking-fund payments to a net increase of £74,143,677.

Interest, exchange, sinking-fund contributions, and social amelioration expenditure constituted 54 percent of the total expenditure of 1933-34. Commenting on these figures the Auditor-General states:

Any presentation of the figures in the public accounts serves but to emphasize the fact that interest and exchange and the cost of unemployment remain the paramount factors in the financial problem.

Government Borrowing Should be Confined to Australia (Various sources)

The Prime Minister has promised some assistance to agriculturists and pastoralists, which will be incorporated in a "rural rehabilitation scheme", the details of which have not yet been announced. A loan of perhaps £15,000,000 will be floated to carry out this scheme. It is generally believed it will be floated in Australia.

Bankers feel that Australia should not burden itself further with overseas interest payments, which now total around £25,000,000 annually. Their general feeling is that the commonwealth should borrow at home, or not at all.

How Australian Conditions have Improved (Assistant Trade Commissioner
Wilson C. Flake, Sydney, 9/21/34)

The Commonwealth Bank comments favorably on Australian economic conditions. Australia has been able to build up a substantial balance of funds in London, thus replacing in part the funds used to tide it over the depression years 1928-1931. The change is illustrated by the following table (which excludes gold exported from reserve):

(In millions of pounds sterling)

<u>Year</u>	<u>Excess of exports</u>	<u>External interest on Commonwealth and local authorities debt</u>	<u>Available to meet other payments or to add to funds in London</u>
1928-29	- 4	29	- 33
1929-30	-34	30	- 64
1930-31	18	30	- 12
1931-32	35	27	+ 8
1932-33	26	26	—
1933-34	39	25	+ 14

BRITISH INDIA

(On October 26, one rupee = \$0.3733)

Gold Stocks in Bombay (Various sources)

Stocks of gold in Bombay amount to 1,100,000 tolas. (One tola = 3/8 ounce troy.)

CHINA

(On October 26, one yuan = \$0.3316)

Rice-Purchase Loan for Kiangsu Province (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 10/13/34)

The Kiangsu Provincial Government has reached an agreement with four Chinese banks in Shanghai for a loan amounting to 1,800,000 yuan. The proceeds will be used to buy rice and hold it against a possible food shortage.

Loan to Complete Shanghai-Ningpo Railway (Radio from Acting Commercial Attache A. Bland Calder, Shanghai, 10/13/34)

The Ministry of Railways on October 8, 1934, concluded an agreement with the China Development Finance Corporation and the British Chinese Corporation for a loan of 16,000,000 yuan, the proceeds of which are to be used for the completion of the Shanghai-Ningpo Railway. The bonds representing this issue will be taken at 95. They bear $5\frac{1}{2}$ percent interest, mature in 18 years, and will be secured by railway revenues. Subscriptions are expected to come largely from abroad.

Shanghai Silver Stocks September 29, 1934 (Samuel Montagu and Company's Weekly Bullion Letter, London, 10/3/34)

On September 29, 1934 (Saturday), silver stocks in Shanghai consisted of about 52,700,000 ounces in sycee, 337,000,000 yuan in currency, and 32,900,000 ounces in bars. That compared with stocks on the corresponding date in 1933, made up of 126,000,000 ounces in sycee, 295,000,000 yuan in currency, and 6,820 bars.

During the month of September 1934, it was in the sycee stocks that big declines took place, week by week. Sycee stocks of 78,400,000 ounces on September 1 fell to 64,700,000 ounces on September 8, to 58,800,000 ounces on September 15, to 56,400,000 ounces on September 22, and to 52,700,000 ounces on September 29. From 347,000,000 yuan in currency stocks on September 1, the gradual decline to 337,000,000 yuan on September 29 was not relatively pronounced. Stocks of bar silver actually increased from 30,400,000 ounces September 1 to 32,900,000 ounces September 29.

Import Prohibition on Silver Coins Now Limited to Mexican, Russian and Japanese Issues (Vice Consul Hedley V. Cooke, Jr., Shanghai, 9/1/34)

Under a notification issued by the Chinese Customs at Shanghai, in accordance with Government instructions, the former prohibition existing against the importation of foreign silver coin is now limited to Russian, Mexican, and Japanese. All silver coins which are used as legal tender in other foreign countries may be imported without restriction, irrespective of quantity.

No Silver Imports (Consul Richard P. Butrick, Shanghai, 9/25/34)

According to the records of the Chinese Maritime Customs, no silver bullion was imported into Shanghai from foreign countries during August 1934.

EGYPT

(One Egyptian pound is equivalent to 1.01572 times one pound sterling; or, on October 26 = \$5.0422)

The Gold Clause and Egypt's Debt to Italy (Commercial Attache Charles E. Dickerson, Jr., Cairo, 9/24/34)

The vernacular press has just announced that Italy has expressed its willingness to negotiate the public debt case on the basis of the Egyptian Government's position, i.e., that Italy would not place obstacles in the way of settlement involving payment of the interest in paper currency, rather than gold.

Handbook of Egyptian Securities, 1934

This volume, issued by G. L. Mortera, is on file in the Bureau.

FRENCH INDOCHINA

(One piaster = 10 French francs; or, on October 26 = \$0.6597)

Public Works Financed Under Law of February 22, 1931 (Consul Quincey F. Roberts, Saigon, 8/17/34)

The Government of Indochina was authorized by a law of February 22, 1931, to borrow 1,250,000,000 francs for the execution of an extensive public works program, and 120,000,000 francs to carry out measures for safeguarding public health. For public health and sanitation, the law of 1931 imposed no limitation on expenditures, but 120,000,000 francs had already been set as the maximum expenditure under those heads. On general public works the total allowances were fixed at 1,250,000,000 francs to be obtained from loans and 502,000,000 francs to be raised by other means, making an authorized total of expenditures amounting to 1,752,000,000 francs. Of this total, 1,161,600,000 francs was allocated to railways, 482,400,000 francs to dikes, drainage, and irrigation, and 108,000,000 francs to equipment for the postal and telegraph services.

Appropriations from loan funds and other sources for expenditures on public works authorized in 1931, the main purposes were made up (with amounts given in thousands of francs) as follows:

Main purposes of expenditures	Appropriated from loan funds	From other sources than loans	Total
Railways	751,038	164,742	915,780
Dikes, drainage, and irrigation	415,100	61,266	476,366
Equipment for posts and telegraphs	31,291	18,815	50,106
Public health and sanitation	90,000	—	90,000
Total	1,287,429	244,823	1,532,252

FRENCH INDOCHINA

Currency Circulation in French Indochina (Consul Quincy F. Roberts, Saigon, 8/15/34)

The currency circulation on June 30, 1934, amounted to 91,600,000 piasters, compared with 101,100,000 piasters on the corresponding date of 1933.

Railways in French Indochina

A report on the above subject has been received in the Bureau and may be borrowed. (Please refer to Consular Report No. 24823, from Consul Quincy F. Roberts, Saigon, dated Sept. 7, 1934.)

Interest Rates on Discounts and Advances (Consul Quincy F. Roberts, Saigon, 8/15/34)

Following the reduction of the Bank of Indochina's discount rate from $5\frac{1}{2}$ to 5 percent, effective July 1, 1934, there was an accompanying drop in the rate to 5 percent for short-term advances, secured adequately by export merchandise, gold, gold securities, and bonds of the French and Indochinese Governments.

HONG KONG

(On October 26, one Hong Kong dollar = \$0.4078)

Hong Kong's Foreign Trade in Gold and Silver (Radiogram, Consul Louis H. Gourley, Hong Kong, 10/15/34)

In the first 9 months of 1934 no imports of gold coins into Hong Kong were recorded. Exports of gold coin amounted to HK\$473,000, of which HK\$352,000 went to British Malaya and HK\$111,000 to Great Britain. Since those figures were the same as for the first 6 months of 1934, apparently no exports took place in the third quarter of the year. Imports of gold bars and ingots were valued at HK\$11,986,000, of which HK\$8,509,000 came from Siam, HK\$3,022,000 from French Indochina, and the remaining HK\$455,000 from British Malaya and Kwongchowwan. Exports of gold bars and ingots were valued at HK\$59,710,000, of which HK\$45,030,000 were taken by the United States, HK\$13,815,000 by Great Britain, and the remaining HK\$865,000 by British Malaya.

In the first three quarters of 1934, Hong Kong imported silver coins to the amount of HK\$18,765,000, practically all from French Indochina, Kwongchowwan, and Macao. Exports of silver coin totaled HK\$9,173,000, going chiefly to China, Great Britain, and the United States. Silver bars and ingots, valued at HK\$3,200,000 were imported, HK\$1,065,000 from North China, and the remaining HK\$508,000 from French Indochina, Kwongchowwan, Macao, Middle and South China. Total exports of silver bars and ingots were valued at HK\$5,633,000, of which the United States took HK\$2,868,000, Great Britain HK\$2,722,000; and Japan, French Indochina, and North China were countries of destination for the remaining HK\$43,000.

Hong Kong Silver Stocks Declined in August (Consul E.H. Gourley, Hong Kong,
9/10/34)

Banking statistics for Hong Kong showed a decline, (the first in many months) in silver holdings during August. Specie in reserve declined from HK\$149,650,000 to HK\$142,400,000 during that month. The decline was confined to the reserve of the Hong Kong and Shanghai Banking Corporation.

JAPAN

(On October 26, one yen = \$0.2871)

Public Debt Outstanding September 30, 1934 (Radiogram from Commercial Attache
Frank Williams, Tokyo, 10/13/34)

The outstanding public debt of the Government on September 30, 1934, amounted to 8,335,000,000 yen, consisting of 6,927,000,000 yen in domestic loans and 1,408,000,000 yen in foreign obligations. There was consequently a decrease of about 5,000,000 yen from the total debt as of August 31. During September no change took place in the amount of the debt held abroad.

Japanese Public Debt -- Long-term Obligations
(In millions of yen)

	Sept. 30 1933	June 30, 1934	August 31, 1934	Sept. 30, 1934
Internal debt	5,984	6,730	6,932	6,927
Foreign debt	1,421	1,415	1,408	1,408
	7,405	8,145	8,340	8,335

In addition, rice purchase notes were outstanding to the amount of 560,000,000 yen on September 30, 1934, compared with 297,000,000 yen on the corresponding date of 1933, and with 580,000,000 yen on both June 30 and August 31, 1934.

Japanese Exchange Situation (Various sources)

Although the Yokohama Specie Bank is rumored to have about 400,000,000 yen of foreign-exchange reserves, various unfavorable factors have tended to depress the Japanese yen. First, the depreciation of sterling in terms of the U. S. dollar depreciated the yen, for the latter currency had for a long time been linked to sterling at a more or less fixed ratio. When the yen began to ease off recently, Japanese merchants who had been awaiting a favorable opportunity to settle exchange hastened to fill their requirements.

The settlement of the Chinese Eastern Railway question had a favorable effect; but the fact that the Manchurian authorities must borrow to meet the required cash payment to Russia has had an opposite effect on the yen. Many traders are skeptical as to the advantages which would accrue to Japanese industry from the purchase of the railway.

The reconstruction work in Osaka, following the typhoon on September 21, will require large out-payments. That disaster, moreover, interfered with the export trade in the Osaka area and thus tended further to depress the yen. The unfavorable trade balance for the third quarter of 1934 shows an excess of exports of only 52,000,000 yen, as compared with 117,000,000 last year.

Reported Difficulties Between Bank of Japan Governor and Finance Minister
(Various sources)

The Japanese newspapers of September 27 commented on the disagreement that has arisen between the Finance Minister and the Bank of Japan authorities as to policies. The disagreement is said to have culminated in the Bank of Japan's recent stand on open-market operations. This stand evoked considerable criticism in financial and political circles. It is predicted in the newspapers that Governor Hijikata will resign and that Vice Governor Fukai is unlikely to succeed him. (It will be recalled that Governor Hijikata was elected to the peerage a few months ago. At that time it was rumored he would resign from the Bank of Japan.)

Finance Minister Explains Financial Situation (Various sources)

Finance Minister Fujii on September 20 addressed the new members of the Okada Cabinet at the Tokyo Bankers' Club. The following is excerpted from his address, as reported in the Asahi Shimbun.

The general financial situation in Japan has improved as a result of the popularization of low interest rates and active foreign trade. But we have still many problems to solve as regards agricultural difficulties, and the people and officials of the Government must cooperate to bring about an all-round improvement.

Japan's foreign trade up to the middle 10 days of September from January 1 amounted to 1,514,000,000 yen in exports and 1,629,000,000 yen in imports. Compared with corresponding period of last year, the exports gained by 226,000,000 yen and the imports gained by 248,000,000 yen. The excess imports this year reached 114,000,000 yen, and although the excess imports show a slight gain over last year, the general trade situation is still favorable. This is reassuring when the trade of virtually all other countries is dwindling. However, because other countries are redoubling their efforts to put up barriers against Japanese imports, we shall have to work harder than ever to maintain the favorable tone.

In 1928, when the new banking law was enforced, there were 1,283 ordinary banks throughout Japan. Of this number the so-called disqualified banks numbered 617. But at the end of August this year the ordinary banks numbered only 492, with banks of precarious standing nonexistent. The assets and foundation of the remaining banks are firm. The improvement is worthy of much attention.

At the end of last year the ordinary banks possessed negotiable paper valued at 215,000,000 yen and the savings banks 114,000,000 yen. Compared with a year before, the figures represent an improvement of reserve power of 55,000,000 yen for the ordinary banks and 40,000,000 yen for the savings banks. The profits of the banks also increased in general. Due to the policy of the Government of inducing the banks to stop payment of increased dividends, virtually none of the banks increased their dividends at the end of the first 6-month period of this year.

Since the latter part of last month the call market stiffened. It is inevitable even in these days of low interest rates that the money market should suffer fluctuations. But, generally viewed, we believe the low-interest-rate tendency will still continue. In view of the fact that the low-interest-rate policy has contributed much to the recovery of the Japanese industries, the Government intends to maintain its present policy.

The banking organs of Japan have been much strengthened through readjustments and amalgamations, and their scale and influence have been enhanced. Their public mission has therefore been extended. We sincerely hope that the bankers will realize the growing public mission of the banks, give consideration to the public benefit, and contribute to further development of Japan's financial circles.

Osaka Typhoon Weakens Japan's Financial Position (Commercial Attache
Frank S. Williams, Tokyo, 9/22/34)

The terrific typhoon and tidal wave which struck Osaka and the surrounding districts on September 21 is proving another national calamity. The damages are estimated to range from 400,000,000 to 1,000,000,000 yen. This catastrophe will seriously affect industrial production, curtail exports, and result in a considerable expansion in next year's budget. The Ministry of Finance had been counting on a natural increase in revenue this year of at least 100,000,000 yen. Since Osaka is the industrial center of the nation and pays a large percentage of the taxes, the natural increase in revenue will be very materially reduced, if not wholly cancelled. At the same time, Government grants for aid in the devastated district will mean an additional drain on Government finances. Since the Government is already issuing deficit bonds, there seems to be no alternative to increasing the amount of these bonds next fiscal year.

September Changes in Japanese Economic Conditions (Radiogram from Commercial
Attache Frank S. Williams, Tokyo, 10/22/34)

Since the Osaka typhoon the situation in Japan has been characterized by a weaker yen, by uncertain export-trade, financial, and political conditions, and by retarded trade. In September there were declines in bank clearings, deposits, loans, securities quotations, railway receipts, and warehouse stocks. On the other hand, call loans, postal savings, freight tonnage, the gold reserve, and wholesale and retail commodity prices advanced.

Sale of Chinese Eastern Railway (Various sources)

The tentative agreement between the Japanese Minister of Foreign Affairs and the Soviet Ambassador to Japan for the sale of the Chinese Eastern Railway is still to be confirmed by the Manchurian and Soviet authorities. It is assumed there will be little difficulty in the matter, and that the transaction will be completed. The 170,000,000-yen purchase price included 30,000,000 yen to compensate Soviet employees. Of the remaining 140,000,000 yen, two-thirds is to be paid in merchandise over a 3 year period, and the balance in cash which Manchurian authorities will obtain by floating bonds in Japan.

Gold Holdings to be Reported Every 10 Days. (Consul William R. Langdon, Seoul, 9/5/34).

To supplement the law establishing control over foreign exchange, the Chosen Government Council has issued General Notice No. 439, dated August 31, 1934, which requires persons dealing in gold metal, gold alloys, and articles made chiefly of gold, to report every 10 days the amount of metal or alloys they have on hand, also the increase or decrease in the quantity on hand compared with holdings 10 days earlier.

NETHERLAND INDIA

(On October 26, one Netherland florin = \$0.6777)

Budget Deficit for Next Year Anticipated (Various sources)

Reports from the Netherlands indicate a budget deficit for Netherland India in 1935 totaling 130,000,000 florins in all accounts.

PALESTINE

(One Palestine pound = one pound sterling; or,
on October 26 = \$4.9642)

Government Revenue and Expenditures First Quarter of 1934-35 (Palestine Gazette, 8/23/34)

In the first quarter of the fiscal year ending March 31, 1935, the revenues of the Palestine Government amounted to £P.1,132,216 and expenditures to £P.701,883, compared with total revenues of £P.759,743 and expenditures of £P.546,283 in the corresponding quarter of the previous year.

Palestine Government Receipts and Expenditures (In thousands of Palestine pounds)

<u>Revenues</u>	<u>April-June</u> <u>1933</u>	<u>April-June</u> <u>1934</u>
Customs	395	613
Licenses and taxes	188	215
Court and administrative fees	91	165
Posts and telegraphs	63	79
Port and marine dues	5	19
Interest	11	17
Revenue from Government property	3	4
Land sales	2	2
Miscellaneous	2	18
Total revenues	760	1,132

<u>Expenditures</u>	<u>April-June 1933</u>	<u>April-June 1934</u>
<u>Ordinary:</u>		
Police and prisons	107	110
Public works	69	72
Public debt and loan charges	64	64
Post and telegraphs	42	57
Education	37	43
Trans-Jordan frontier force	36	33
Department of Health	28	32
Customs, excise and trade	19	31
District administration	19	24
Agriculture and forests	17	23
Judicial Department	21	21
Other expenditures	77	146
Total, ordinary expenditures	<u>536</u>	<u>656</u>
<u>Extraordinary:</u>		
Public works	7	34
Posts and telegraphs	3	11
Trans-Jordan frontier force	--	1
Total, extraordinary expenditures	<u>10</u>	<u>46</u>
Grand total, ordinary and extraordinary expenditures	<u>546</u>	<u>702</u>

Government Finance in July 1934 (Consul Joseph L. Brent, Jerusalem, 9/21/34)

During July 1934 ordinary revenue exceeded expenditure (excluding self-balancing items) by almost 100 percent. The receipts amounted to LP.509,256 and total expenditures to LP. 262,110.

The cash surplus in the Treasury on July 31, 1934, was LP.3,214,777, according to the statement of assets and liabilities of that date published in the Palestine Gazette of September 21, 1934.

PERSIA

(The rial has a par value of approximately \$0.4120)

Persian Monetary Policy: Increase in Note Issue (Minister William H. Hornibrook, Teheran, 9/17/34)

In accordance with legislation enacted by the Majlis on September 11, 1934, the authorized note issue of the National Bank has been increased from 465,000,000 rials to 1,100,000 rials. At the same time, the legal gold and silver cover prescribed for the note issue has been reduced from 100 percent to 60 percent.

Note.-- The Bureau of Foreign and Domestic Commerce has received a translation of the Law of September 11, 1934, as well as a translation of the statement made by Minister of Finance Davar when presenting the draft of the law to the Majlis.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging $5/8$ percent premium for demand drafts and $1\ 1/8$ percent premium for telegraphic transfers.)

Revenue Receipts in September 1934 (Radiogram from Acting Trade Commissioner C. Grant Isaacs, Manila, 10/20/34)

In September, customs collections in Manila totaled 2,321,000 pesos, as compared with 2,311,000 pesos in September 1933. However, receipts from customs in the first 9 months of 1934, given as 24,152,000 pesos, show an increase of almost 19 percent over the collections for the corresponding period in 1933.

1935 Appropriations as approved by the House (Trade Commissioner C. Grant Isaacs, Manila, 9/25/34)

The budget of expenditures for 1935, as approved by the House of Representatives on September 20 and revised by the Chairman of the Appropriation Committee and the budget officer of the Finance Department, are given as approximately 41,679,000 pesos. (For departmental totals apply to the Finance and Investment Division.)

Would Withdraw Philippine Government Funds from U. S.: Devaluation Profit of 47,000,000 Pesos Included (Trade Commissioner C. Grant Isaacs, Manila)

According to an article in the Manila Daily Bulletin of September 8, Senator Elpidio Quirino, Secretary of Finance, declares that he is prepared to recommend the withdrawal of some surplus funds in the United States to finance economic development plans if workable, sensible propositions are offered.

The Philippine Government has more than 100,000,000 pesos in United States banks, excluding the 47,000,000 which is expected to be placed to the credit of the Philippine Government as a result of the devaluation of the dollar. "But the Department of Finance would not move a finger to recommend the expenditure of any portion of this surplus unless people of prestige and reputation can offer some reasonable suggestion for the industrialization of the country."

Statistics on Philippine Banking in September 1934 (Acting Trade Commissioner C. Grant Isaacs, Manila, 10/19/34)

The summary of the principal items in statements of Philippine banks as of September 29, 1934, indicated little change with respect to conditions on the corresponding date of 1933.

Consolidated Reports of Philippine Banks
(In millions of pesos)

<u>Item</u>	<u>Sept. 30,</u> <u>1933</u>	<u>June 30,</u> <u>1934</u>	<u>Sept. 29,</u> <u>1934</u>
Total resources	232	242	236
Loans, discounts and overdrafts	101	96	93
Investments	51	51	55
Time and ordinary deposits	126	136	131
Net working capital, foreign banks	9	- 3	5
Average daily debits to individual accounts	3.8	3.7	3.3
Circulation	118	127	123

Senate Resolution Places All Currency on Same Basis (The Tribune, Manila, 9/14/34)

The Senate on September 13 passed a resolution similar to Public Resolution No. 10 of the United States, assuring equal value to all forms of Philippine Islands currency. The gold clause is abolished, and bonded indebtedness will be payable in devaluated currency.

Money Market Generally Quiet (Trade Commissioner C. Grant Isaacs, Manila, 10/23/34)

In September the volume of collections of inward bills increased 7 percent. Collections in Manila were good, but those in the Provinces difficult, particularly in the sugar districts. It is believed that distribution of the sugar-processing tax will increase the buying power of the sugar workers. The copra area is slightly optimistic, because of the increase in copra prices. Demand for loans is limited, and the money market, generally, is stagnant. The only expected increase in loans is in connection with sugar, which must be shipped before October 15. The recent typhoon is also expected to increase loans on building materials.

Senate Nullifies Gold Clause in Payment Contracts (Acting Trade Commissioner C. Grant Isaacs, Manila, 9/14/34)

On September 14, 1934, the Philippine Senate passed a joint resolution, subject to ratification by the Congress of the United States, declaring it against public policy to insert in any agreement or contract calling for payment of money a provision giving the payee the right to demand gold currency of any kind. Any payment will be fully satisfied in pesos, United States dollars, or by the substitution of one for the other, at the rate of 2 pesos for 1 dollar, in any coin or currency that is legal tender in the Philippines. Agreements and contracts executed before the resolution was passed would be affected by the measure.

Gold Production of Benguet, Balatoc and Ipo Companies Announced (Trade Commissioner C. Grant Isaacs, Manila, 9/21/34)

August output of the three companies named was 1,491,000 pesos, including 1,474,000 pesos of gold and 17,100 pesos of silver.

Mining Companies Declare Dividends (Trade Commissioner C. Grant Isaacs, Manila,
9/25/34)

Dividends amounting to 2,500,000 pesos were authorized yesterday by Benguet Consolidated Mining Co., and the Balatoc Mining Co., payable September 30. This comes to 75 centavos per share for Benguet Consolidated and 50 centavos for Balatoc. The dividend of Benguet Consolidated is on the present issue of 2,000,000 shares. The stock dividend of 200 percent authorized by the stockholders September 11 will not become effective until October.

Philippine Stock Exchanges Come Under U. S. Federal Jurisdiction (Acting Trade
Commissioner C. Grant Isaacs, Manila)

According to the Philippine Herald of September 18, 1934, the Bureau of Insular Affairs has advised the Governor General that Philippine stock exchanges come within the scope of the Securities Exchange Control Act.

Grosvenor M. Jones, Chief
Finance and Investment Division

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

FOREIGN FINANCIAL NOTES

F. E. N. No. 170

November 20, 1934.

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Note. - In giving quotations or summaries from foreign periodicals
and newspapers, the Finance and Investment Division assumes
no responsibility for the statements or opinions therein.

AUSTRALIA

(On November 13, one pound = \$3.9631)

Federal Finances (Various sources)

During July, August, and September (the first quarter of fiscal year 1934-35) Commonwealth revenues exceeded expenditures by £1,272,000. However, this surplus was £1,566,000 less than the surplus during the corresponding period of last year when the excess of revenues was £2,838,000. The decrease was due principally to the reduced amount of income tax outstanding when the new fiscal year commenced, causing income tax collections in the first quarter of 1934-35 to be £1,933,000 less than during the first quarter of 1933-34. Customs and excise collections were £1,123,000 greater in the first quarter of 1934-35 than in the corresponding quarter last year, which partly offset the declines from other sources.

New South Wales State Budget (Assistant Trade Commissioner W. C. Flake, Sydney,
9/26/34)

In his speech presenting the New South Wales budget to the Legislative Assembly, the Premier said: "The present budget follows its two predecessors in the direction of reduced deficits, and in the movement towards ultimate budgetary balance without disturbance of economic conditions. During the current year it is proposed to consolidate all the advantages gained in the two earlier years and to prepare the ground for further forward movements toward thorough rehabilitation of the State's finances." A deficit of £2,910,000 is budgeted for in 1934-35, compared with an actual deficit of £3,208,391 in 1933-34. The estimates for 1934-35 compare with the actual revenues and expenditures in 1933-34 as follows:

	1933-34	*1934-35
	(£000 omitted)	
Revenues	42,569	42,323
Expenditures	45,777	45,233
Deficit	3,208	2,910

*Estimated.

New South Wales Budget (Various sources)

During the week ended September 29, the Premier of New South Wales introduced the State Budget for 1934-35. Revenues are estimated at £42,322,619, and expenditures at £45,232,619. The deficit of £2,910,000 is £298,619 below the actual deficit of 1933-34, and is within the limits agreed to under the Premiers' Plan. There is nothing spectacular in the new budget, and the Premier has been congratulated in many quarters for "a sound budget". The actual deficit in 1931-32 was £14,227,845, and the improvement since that time has been due to lower expenditures rather than increased revenue. It is generally considered that New South Wales has set its financial house in order by gradually reducing its deficit as agreed under the Premiers' Plan.

Increase in Australian Gold Production*

This Division has a copy of a report entitled as above, from Assistant Trade Commissioner Wilson C. Flake, Sydney, dated October 5, and will be glad to lend it to interested parties for a limited period.

Interest Rates Reduced (Various sources)

The Commonwealth Bank has reduced, as from October 11, the rate of interest on new fixed deposits for 6, 12, and 24 months, by $\frac{1}{4}$ of 1 percent per annum. The new rates are: 3 months, $1\frac{1}{2}$ percent; 6 months, 2 percent; 1 year, $2\frac{1}{4}$ percent; 2 years, $2\frac{1}{2}$ percent. On January 28, 1930, the rates were $4\frac{1}{2}$ percent, $4\frac{3}{4}$ percent, 5 percent, and $5\frac{1}{4}$ percent, respectively. In view of conditions in the money market, the reduction just made was not unexpected. Trading banks have brought their rates in line with those just announced by the Commonwealth Bank, but the trading banks have not yet made any further reduction in rates on advances which now stand at 5 percent (maximum).

Reduction in Rates for Treasury Bills (Various sources)

Along with a reduction in interest on fixed deposits, the Commonwealth Bank has decided on a further reduction of $\frac{1}{4}$ of 1 percent in the discount rate on treasury bills. The new rate of 2 percent per annum will be applied to all bills issued or renewed on or after October 15. The former rate of $2\frac{1}{2}$ percent had been in effect since April 1934. In June 1931, the rate was 6 percent, and the downward movement since that time has followed closely the downward trend of interest rates on fixed deposits.

All treasury bills now outstanding have been issued on account of the various states of Australia, and none are now outstanding on account of the Commonwealth itself. The chairman of the Loan Council states that the reduction in the discount rate, just made, will save the States approximately £125,000 annually, of which New South Wales will save £82,000.

Domestic Market Favorable for New Loan (Various sources)

The investment market is expecting the Government to announce definite plans for a loan of probably 15,000,000 or 20,000,000 Australian pounds to be allotted among the states for public works. This will, without much doubt, be an internal loan, and the investment market expects that it will be issued at a

rate slightly below the present yields from Australian Government securities. There appears to be plenty of money available in Australia today for investment in Federal Government securities, which is very fortunate in view of the present heavy burden of oversea interest payments. The latter, despite recent conversion operations which reduce the burden somewhat, has begun to become of more concern with a decline in ^{export} prices. During July and August Australia had an unfavorable trade balance of £3,468,000, as compared with a favorable balance of £1,480,000 during the corresponding months of last year. Owing to the present small volume of some exports, this unfavorable balance may be corrected in future months, and in any case the reserve of London funds is sufficient to take care of interest payments for the immediate future. It is not likely that Australia will add to its oversea interest obligations so long as present conditions in the domestic money market continue.

BRITISH INDIA

(On November 13 one rupee = \$0.3758)

Government Announcement Concerning Reserve Bank (Weekly Market Review,
Premchand Roychand and Sons, Bombay, 10/5/34)

A provisional program for the establishment of the Reserve Bank of India is set forth in the following Government communique issued on October 3.

The Government of India think it desirable that they should state for the information of the public the approximate program of the stages whereby they hope that the Reserve Bank will be brought into existence. It must, however, be understood that this program is purely provisional and unforeseen developments may necessitate a departure from it.

According to this program it is their intention that the Reserve Bank should be formally constituted and members of the central board nominated with effect from beginning of 1935.

It is hoped that the board will find it practicable to issue shares early in 1935. On this assumption it would be possible for the bank on April 1, 1935 to take over the Government account, to assume its currency responsibilities and to take over the assets required for the issue department as laid down in the Act.

If the early stages of this program can in fact be carried out according to this plan, it is intended that the Reserve Bank should assume its statutory functions in relation to scheduled banks on July 1, 1935, this being the date most convenient to the banks concerned.

The names of the two deputy governors and members of the first central board will be announced in due course and in any case as long as possible before January 1, 1935.

Dollar-Exchange Rates (Various sources)

Rupee-dollar exchange fluctuated during the week ended October 6 as follows (rupees per \$100):

<u>Date</u>	<u>Selling</u>	<u>Buying</u>
October 1	268 $\frac{3}{4}$	266 $\frac{3}{4}$
" 2	271	269
" 3	270 $\frac{1}{2}$	268 $\frac{1}{2}$
" 4	270 $\frac{1}{2}$	268 $\frac{1}{2}$
" 5	270 $\frac{1}{2}$	268 $\frac{1}{2}$
" 6	270 $\frac{1}{4}$	268 $\frac{3}{4}$

Financial News Comments on Silver Sales (Financial News, Bombay, 10/20/34)

Sales of silver by the Government of India in face of a rising market is a subject of comment in an editorial in the Financial News. (Bombay) The editorial reads in part as follows: ".....the American Treasury will not hesitate to pay a higher price for the obvious reason that the policy of silver acquisition will continue. Unfortunately, the Government of India are apparently indifferent to the recent development in silver. Even last week they shipped a good amount of the metal to London for sale. It is evident from this that there is no change of policy as yet in spite of rapid developments in silver all over the world."

Quarterly Report of the Burma Corporation, Ltd. (Consul W. H. Scott, Rangoon, 9/27/34)

A copy of a consular report (No. 25485) containing some figures on the operations of the Burma Corporation during the second quarter of 1934, is available.

CEYLON

(On November 13 one rupee = \$0.3758)

Ceylon Currency and the Seignorage Profit (Weekly Market Review by Premchand Roychand and Sons, Bombay, 10/5/34)

Replying to a correspondent on the future position of the monetary system of Ceylon, Mr. W. F. Spalding, in The Times supplement, makes the following comment:

In Ceylon, Indian silver rupees, as well as the currency notes issued by the Ceylon Government, are legal tender, and it has to be decided what are the financial and economic consequences of Ceylon's attachment to the Indian standard. The advantages and disadvantages of using an independent rupee currency as the monetary standard of Ceylon have also to be examined, (a) in the place of the Indian rupee; (b) side by side with the Indian rupee. Then, those who have elected to give evidence before the Commission are asked to give their views on the following subject.

In the Ceylon currency reserve there are held Indian silver rupees to the extent of over 13,000,000 rupees. The intrinsic of bullion value of this reserve is, it is said, considerably less. If the Ceylon Government coined its own rupee of the same weight, fineness, and silver content as the Indian rupee, and held that in the reserve, replacing a portion of the holding of Indian rupees, the process would, it is estimated, result in a fairly large profit to the Ceylon Government. If this profit were invested in India or Colonial gilt-edged securities it would also bring in an additional revenue to the State, and this in turn, it is said, could be utilized for the economic development of Ceylon. It will be very interesting to hear, in due course, what are the views expressed on such proposals.

Opinions are also invited as to the advisability of establishing a State bank, or State-aided Bank, in Ceylon, and whether a change from the present sterling-rupee ratio, as fixed by the Indian Government, is advisable in the interests of Ceylon.

CHINA

(On November 13 one yuan = \$0.3389)

Finance Ministry Tightens Control Over Banks (Radiogram, Acting Com. Att.
A. Bland Calder, Shanghai, 11/2/34)

Pending enforcement of the bank law promulgated in February 1931, the Ministry of Finance instructed the Greater Shanghai Municipality, on November 1, to require every banking establishment to register with the Ministry, otherwise threatening closure. It also instructed the Shanghai Bankers' Association to reject (expel?) unregistered members.

Text of Export Duty on Silver (Trade Commissioner in Charge A. Viola Smith,
Shanghai, 10/15/34)

Under date of October 14 (Sunday) the Ministry of Finance issued a statement imposing an export duty on silver in the following terms:

In view of the undue rise of silver out of relation to the level of general commodity prices, the National Government, in order to safeguard China's economic interests and protect its currency, has filed the customs duty on exports of silver, effective October 15, as follows:

On silver dollars (yuan) and mint bars, 10 percent less $2\frac{1}{4}$ percent minting charges paid, i.e. $7\frac{3}{4}$ percent net.

On other forms of silver, 10 percent (in lieu of $2\frac{1}{4}$ percent).

In addition, an equalization charge will be imposed on exports of silver equal to the deficiency, if any, existing between the theoretical parity of London silver and a rate of exchange officially fixed by the Central Bank of China, after making allowance for the export duty.

Finance Minister's Comment on Announcing Silver Tax (Office of Commercial
Attache, Shanghai, 10/15/34)

The newspapers published a Kuo Min Agency report in which Finance Minister Kung is quoted as stating there is no reason to expect that the forces which have been stimulating the price of silver abroad will soon cease to operate. Therefore the Government, out of regard for the economic welfare of the people who live in China, had taken this measure as a necessary step to safeguard China's currency from a potentially dangerous drain of the country's monetary reserves, and to place a check upon the operation of the harsh deflationary forces which have been reflected in falling internal prices.

The measure had been determined upon, said Dr. Kung, after most careful consideration of various proposals for meeting the emergency, and after full consultation with leaders of business and finance. Among these proposals, an embargo has most frequently been suggested. The Government considered, however, that an embargo should not be imposed, and preferred a flexible duty that will restrain exports of silver within the limits actually required by the balance of payments. Dr Kung expressed assurance that the measure would allay the misgivings that have lately disturbed the markets and by stabilizing the situation would permit legitimate business to proceed with renewed confidence.

Dr. Kung, when asked concerning rumors about the possibility of reduction of the silver content of the yuan, stated that this subject had never been mentioned at any of the conferences and that he would not even consider such a proposal if made.

Chinese Equalization Charge on Silver Exports (Various cablegrams from Acting
Commercial Attache A. Bland Calder, Shanghai)

The following table shows the equalization charge on exports of silver from China; during the period October 15 to November 13:

<u>Date</u>	<u>Equalization charge</u> (percent)	<u>Date</u>	<u>Equalization charge</u> (percent)
October 15	$4\frac{3}{4}$	October 29	$8\frac{1}{4}$
16	8	30	8
17	$12\frac{1}{2}$	31	$7\frac{1}{2}$
18	14	November 1	$7\frac{1}{2}$
19	$10\frac{1}{2}$	2	$7\frac{1}{4}$
20	$10\frac{1}{4}$	3	$7\frac{3}{4}$
21	--	4	--
22	$10\frac{1}{4}$	5	$7\frac{1}{4}$
23	10	6	$7\frac{1}{4}$
24	$9\frac{3}{4}$	7	7
25	$8\frac{3}{4}$	8	7
26	$8\frac{1}{4}$	9	7
27	$8\frac{1}{4}$	10	7
28	--	11	--
		12	7
		13	$8\frac{1}{4}$

The Chinese Ministry of Finance announced October 29 it had ordered a change in the manner of levying the equalization charge on silver exports. This tax, which was put into effect on October 15, was collected as of the date of clearance of the vessel carrying the exports. Since October 29 it has been collected as of the date of the custom export application.

In explaining the reasons for the change of policy, the Finance Ministry stated: First, it desires simply to check the outflow of silver as a result of speculation; second, China intends to maintain the silver standard; third, it is the policy of the Government to supply banks with suitable cover in the event of heavy demand for foreign exchange.

The Ministry has also announced that the surtax of 10 percent and the conservancy tax of 3 percent levied on silver exports is calculated as a percentage of the custom duty, and not of the equalization charge referred to above. According to the present announcement, the surtax is 10 percent of the duty and the conservancy tax is 3 percent of the duty (heretofore the conservancy tax was 4 percent). The equalization charge, states the Finance Ministry, is not refundable in case the export shipment concerned is withdrawn. The Ministry's decision, it is understood, is based upon the recommendation of the newly-created stabilization committee.

Shanghai Silver Exports in 1934. (Acting Commercial Attache A. Bland Calder, Shanghai, 10/6/34).

Exports of silver from Shanghai so far this year have been as follows (in Yuan):

January to June, inclusive	34,128,000
July	16,284,000
August	83,390,000
September	35,586,000
Total 9 months	169,388,000

Shanghai Note Issue. (Acting Commercial Attache A. Bland Calder, Shanghai, 10/6/34)

The total outstanding note issue of the ten note-issuing Chinese banks in Shanghai at the end of August was 375,596,301 yuan, an increase of 1.5 million over the previous month and nearly 79 millions greater than on August 31, 1933. The Bank of China, which compiled this figure, does not regard the increasing note circulation as a sign of business prosperity, but rather as explained by an increased demand for ready cash in interior cities.

"Customs gold unit" notes outstanding at the end of August 1934 amounted to C. G. U. 373,324, unchanged from July and C. G. U. 43,944, below the amount outstanding one year previously.

London Reaction to the Chinese Duty (Commercial Attache LymW. Meekins, London,
10/23/34)

An exceedingly large bull position on silver has developed in London. The consensus of opinion is that the restriction of exports from China means eventually higher prices, although temporary reactions, as during the past week, are to be expected.

Business men here think that China acted rather hastily in restricting silver export and predict that fluctuating exchange rates will affect Chinese trade considerably. Some indignation has been expressed at the action of the Chinese authorities in collecting the increased export duty and the new exchange equalization charge on shipments loaded on vessels at Shanghai before October 15; these shipments are variously estimated at from 10,000,000 to 20,000,000 yuan.

Many London speculators in silver were caught by the sudden developments in Shanghai, and the large number of "stoploss" selling orders was a factor in lowering prices October 17 and 18. American buying was resumed at the end of the week and the market strengthened.

The possible addition of China to the sterling bloc as a consequence of recent events is a welcome prospect to British observers. This has been the objective of British financial interests in London, Hong Kong, and Shanghai for some time.

How Shanghai Silver Stocks are Estimated (Trade Commissioner A. Viola Smith,
Shanghai, 10/12/34)

Occasionally estimates of silver stocks in Shanghai, as given out by different sources, do not agree. In order to ascertain how the estimates quoted by the American commercial attache in Shanghai are arrived at, the Finance and Investment Division has obtained the following information.

Each day representatives of each of the banks in Shanghai meet and report the amount of silver held by their respective institutions. The aggregate represents the total stock of silver in Shanghai. The figures are regarded as the best obtainable on a daily basis and are held to be reliable in Shanghai banking circles.

It is recognized that banking representatives may understate their position, or at times overstate it; such tendencies, however, counteract each other, it is believed.

Several years ago when the money market was tight the banks lent call money to each other and such loans were apt to be counted as cash on hand both by the lending bank and by the borrowing bank. Thereby a certain amount of duplication appeared in the figures. It is reliably reported that such a condition has not existed for at least 5 years and can only exist when money is tight. There appears no likelihood of tight money in the near future.

Chinese Finance Minister's Statement on Gold (Acting Commercial Attache A. Bland Calder, Shanghai, 10/29/34)

Recently the Finance Minister of China has several times stated his Government's readiness to buy gold abroad at opportune moments. Such purchases, it is pointed out, would be for the purpose of servicing China's foreign debt, and not for the purpose of putting the currency on the gold standard.

With regard to recent expressions of fear of inflation in China, Finance Minister Kung has pointed out to interviewers that such fear is unfounded, since the bulk of China's stock of silver coins is held by the public.

The Shantung Provincial Government has prohibited silver exports under penalty of confiscation, and has restricted inter-district movements of silver within that province.

Chinese Fund Operated to Stabilize Exchange (Acting Commercial Attache A. Bland Calder, Shanghai, 10/26/34)

The Chinese Government's foreign exchange stabilization committee is finding it necessary to operate frequently in the exchange market to prevent wide fluctuations. The Central Bank has announced that there has been no exportation of silver from Shanghai since the new tax became effective. It is believed that speculators with overbought positions in foreign currencies will eventually cover, thus making unnecessary any large exports of silver from China.

Public Utility Floats a Loan (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/2/34)

The Shanghai-Chapei Power and Water Works floated a loan of 4,500,000 yuan on October 31 for the purpose of carrying out an improvement program. The bonds were issued at 98, bear 8 percent interest, and are to be amortized within 8 years. The loan is secured on the company's plants which are valued at 13,000,000 yuan. It was underwritten by four Chinese banks and found a ready market.

Loan Project Cancelled by Railway (Acting Commercial Attache A. Bland Calder, Shanghai, 10/26/34)

The Peiping-Hankow Railway announces that the proposed 35,000,000 yuan loan has been cancelled and that the railway administration will retain 300,000 yuan monthly from operating profits to carry out its rehabilitation project within 5 years.

HONG KONG

(On November 13 one dollar = \$0.4166)

Currency Statistics for September. (Consul L. H. Gourlet, Hong Kong, 10/12/34)

Following are the returns of the average bank note circulation and specie reserve in Hong Kong during September 1934, as certified by the respective banks:

Banks	Average amount (Hong Kong Dollars)	Specie in reserve
Chartered Bank of India, Australia and China	17,432,472	1/ 8,300,000
Hong Kong and Shanghai Banking Corporation	144,513,851	2/ 132,750,000
Mercantile Bank of India, Limited	2,110,883	3/ 1,350,000
Total	164,057,206	142,400,000

1/ In addition sterling securities are deposited with the crown agents, valued at £750,600.

2/ In addition securities deposited with the crown agents and Straits Government valued at £3,284,000.

3/ In addition securities deposited with the crown agents valued at £190,000.

JAPAN

(On November 13 one yen = \$0.2915)

1935-36 Budget Figures as Reported by Financial Commissioner

The New York office of the Financial Commission of the Imperial Japanese Government announces the contents of a cablegram received from the Ministry of Finance in Tokyo under date of November 5, 1934. According to this cablegram, the estimated revenue and expenditure for the fiscal year 1935-36 as submitted to the Cabinet meeting is 2,042,000,000 yen. The summary, in millions of yen, follows:

Revenue	2,042
Ordinary	1,332
Extraordinary	710
Public loans	604
Surplus from the preceeding year	7
Others (including the proceeds of the new "temporary profit tax" which is estimated at 30,000,000 yen)	98

<u>Expenditures</u>	<u>2,042</u>
Ordinary	1,293
Army	166
Navy	217
Extraordinary	749
Army	284
Navy	272

The principal features of the proposed new tax, the "temporary profit tax", which is estimated to yield about 40,000,000 yen in an average year, are as follows:

1. The tax shall be assessed on the profit of any corporation and on the business profit of any individual.
2. The taxable profit of any corporation shall be computed as follows:
The remainder of an income, for any business period, after deducting an average income for such business periods as cover the two years immediately preceding the fiscal year 1931-32. If the said average does not reach to a certain percentage (say about 7 percent per annum) of the capital (including reserves) the amount equal to such percentage shall be regarded as the average income for the purpose of this taxation.
3. No individual whose annual business profit is not more than a certain amount (say about 6,000 yen) shall be taxed. The taxable income shall be the remainder of a business profit for any year, after deducting therefrom the average business profit for two years immediately preceding the year 1931 and a certain reasonable amount.
4. The rate of the tax shall be about 10 percent of the taxable profit.
5. This tax shall be levied temporarily. No local government shall levy any surtax on the "temporary profit tax".

Finance Ministry Pares Departmental Estimates (Various sources)

Japanese newspapers carry reports that the Finance Ministry has effected big cuts in next year's budget. The Army will get only 130,000,000 yen instead of the 246,000,000 demanded on "special account", the Navy, 70,000,000 yen instead of the 294,000,000 requested, Agriculture and Forestry 20,000,000 yen instead of 113,000,000 requested, and the Home Office 20,000,000 yen instead of 180,000,000 yen, state the newspapers. They add that the budget is expected to total around 1,990,000,000 yen, but add that "considerable difficulty will be experienced by Finance Minister Fujii in sticking to this small figure."

Vice Minister of Finance Gives an Interview (The Trans-Pacific, 10/4/34)

A fairly long interview with the Vice Minister of Finance, Mr. Tsushima, is the subject of an article in the Trans-Pacific, Tokyo, of October 4. As quoted in the article, Mr. Tsushima spoke of the weakness in the yen in relation to the Chinese Eastern Railway negotiations between the Manchurian authorities and the Government of the U. S. S. R., the latter reported to involve cash payments of about 44,000,000 yen. Mr. Tsushima is quoted as saying that part of the payments would probably be made in kind and have no effect on the exchange market. Moreover, the cash payments might be arranged in instalments to cover a period of two or three years. "Whatever method of settlement is selected, it will not have serious effects upon yen exchange and what effects there are will be temporary".

Discussing the effects of the Osaka typhoon upon the yen, the reported cancellation of export orders, and the reported large orders for imported construction materials following the disaster, Mr. Tsushima is quoted as saying that the effects could not be gauged until the survey being conducted by the Ministry of Commerce and Industry is completed. Speaking of foreign trade, Mr. Tsushima declined to be pessimistic. "It is true", he said, "that 10-day reporting periods are returning import balances in what is generally considered the export season. To some this is a disturbing factor and it has given rise to uncertainty. However, if these people would consider the changes which have taken place in our foreign trade, especially during the past two years, I think they would be reassured. In the old days the latter half of the year was our export season because raw silk was our most important export product and because most raw silk was shipped in the latter half. Now the situation is changed. Raw silk is second in the list of export products and a great many other products, such as rayon, paper, and machinery, have climbed to not much inferior positions. Silk no longer can influence the whole character of our trade. Cotton goods, for example, are exported all year round. So are rayon goods, paper, machinery and miscellaneous lines. There no longer is any reason why any one period of the year should show an invariable export excess and another period an invariable import excess. Our trade is better balanced today."

"It is probable that our visible foreign trade this year will show a greater unfavorable balance than we had last year. You must have noticed, however, that both exports and imports have increased by large percentages. The same growth has been taking place in the invisible accounts."

Questioned on the budget deficit and bond policy of the Government in relation to the yen's weakness, Mr. Tsushima is again quoted as follows: "It is true that there has been talk of that nature and it is true that the Government might be considerably embarrassed were it to attempt at this moment to float a budget-deficit bond issue of considerable size. But the fact of the matter is that the Exchequer today is in excellent condition. Tax receipts in August and September have been prompt and considerably larger than anticipated. No Treasury bills are outstanding and the Government has money in the bank. Therefore, it is unnecessary for us to borrow at the moment. In fact, we can continue for some time without borrowing, possibly until after the end of the calendar year."

Concluding the interview, Mr. Tsushima indicated that the Government's present bond policy would be continued without change for the time being.

Financial Cable from Tokyo, via Shanghai (Commercial Attache Frank S. Williams, Tokyo, 10/22/34)

Uncertainty over the Government's readjustment of the administrative system in Manchuria, financial conditions in China, curtailed budgetary estimates, and continued deadlock of the Batavia trade conference have tended to retard Japanese business. The stock market is inactive, with speculation curtailed, trading dull, and prices fluctuating within narrow limits. The undertone is weak. The money market has continued easy. The yen has been definitely weaker, reflecting disorganization and uncertainty in the Shanghai market and abnormal offerings of import bills. The rate on October 20 was \$0.28 $\frac{3}{4}$, the Yokohama Specie Bank rate being \$0.28 $\frac{5}{8}$. Sterling is quoted at one shilling 1 $\frac{3}{4}$ pence per yen, lowest since April; the Specie Bank maintains a rate of 1 shilling 2 pence. The bond market is stronger, Government 5 percents closing on October 20 at 103 yen, and 4 percent at 98 yen.

Bank clearings in September were 4,833,000,000 a decline of 654,000,000 since August. Deposits at 6,605,000,000 declined 100,000,000 in the month; loans, at 4,958,000,000, declined 42,000,000. Securities held totaled 4,138,000,000 yen, a decline of 18,000,000 yen.

135 New Companies Formed in Manchuria, 1932-1934 (Various sources)

According to a press report, investigation recently made by the Overseas Ministry shows that since the Manchurian Incident in September, 1931, 135 new companies have been formed to operate in that area. Their capitalization totaled 288,611,000 yen, 161,907,000 yen fully paid up. Of the latter sum, 48,820,000 yen was offered "in (the form of) property as part of the capital".

Japanese supplied 117,387,000 yen of the same total, and residents of Manchuria the remaining 43,919,000 yen. Of the paid-up capital, 79,537,000 yen applies to companies affiliated with the South Manchuria Railway. The Japanese Government invested 16,500,000 yen in the Manchuria Telephone and Telegraph Co.; and the Manchurian authorities 22,300,000 yen (18,900,000 paid up) in the telephone company and other enterprises.

NETHERLAND INDIA

(On November 13 one florin = \$0.6755)

Trade Negotiations with Japan Suspended (Trade Commissioner Charles E. Brookhart, Batavia, 10/8/34)

The long drawn out negotiations between Netherland India and Japan on matters of trade have been temporarily suspended, owing to the illness of some members of the Japanese delegation.

PHILIPPINE ISLANDS

(One peso equals 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging $5/8$ percent premium for demand drafts and $1\ 1/8$ percent premium for telegraphic transfers.)

Senate and House have not reached Agreement of Budget (Trade Commissioner J. Bartlett Richards, Manila, 10/27/34)

The Senate and House have been unable, so far, to agree on the 1935 budget, the former insisting on appropriations for unfilled positions and for the difference between authorized and actual salaries. The Senate budget calls for 43,162,000 pesos, or 1,525,000 more than the House budget.

Tax collections in the first 9 months of 1934 amounted to 48,442,000 pesos, or 6,000,000 more than in the same period last year. Customs receipts were 12,945,000 pesos and internal revenue, 23,664,000, both showing improvement.

Financial Bills Considered in the Philippines (Trade Commissioner J. Bartlett Richards, Manila, 11/3/34)

The Governor-General is expected to disapprove certain items of the public works bill which will pass the Legislature with detailed allotments instead of a lump sum as requested by the Administration. Certain other appropriations may also be disapproved.

Important measures passed include a bill authorizing the Philippine National Bank to grant 30-year mortgage loans; a bill declaring a 2-year moratorium on the debts of coconut and abaca planters to the Philippine National Bank; and a bill substituting an exchange standard fund for The Gold Standard Fund.

Tax on Bank Capital May be Abolished (Trade Commissioner J. Bartlett Richards, Manila, 11/3/34)

The Finance Department hopes to get certain bills passed by the Legislature abolishing the tax on the capital of domestic and foreign banks and increasing the tax on deposits. The banks would be allowed 10 years to dispose of lands acquired through bankruptcy of borrowers, instead of 5 years, as at present provided.

Currency System a Fundamental Problem, According to Resident Commissioner Guevara (Trade Commissioner J. Bartlett Richards, Manila, 11/3/34)

Among the fundamental problems which will face the new Commonwealth, states Resident Commissioner Guevara, are the tariff, Government revenues, the currency system, and the appointment of a trade commissioner to promote foreign trade.

Decline in Number of Securities Brokers (Trade Commissioner C. Grant Isaacs,
Manila, 10/4/34)

The Bureau of Commerce has published a list of stock and bond brokers. The present list totals only 40 names, while in 1933, at the height of the gold boom, the number was 98. Poor business is cited as the reason for the decline, despite the fact that a reduction was recently made in the amount of bond required to be posted by brokers.

TURKEY

(One Turkish pound = 12.06 French francs or on November 13 = \$0.7942)

New Law on Foreign Exchange (Various sources)

A new law on foreign exchange went into effect on September 2, the date of its publication in the Official Journal. The following are the most important provisions:

1. Persons going abroad will be allowed to export the equivalent of 100 Turkish pounds in foreign exchange and the maximum allowed will be the equivalent of 200 Turkish pounds.
2. Foreigners working or doing business in Turkey will be allowed to export the equivalent of one-third of their earnings after deducting all taxes.
3. Persons having property in Turkey but residing abroad may withdraw only the equivalent of 100 Turkish pounds per month.
4. Hereafter all foreign exchange transactions must be effected through the Exchange Control Commission, and banks may no longer sell directly.
5. Banks are required to surrender to the Central Bank, all foreign exchange received, except that from other banks.
6. Speculation in foreign exchange is forbidden.
7. Credits in Turkish currency may not be opened for individuals or concerns out of the country nor may payments be made abroad in Turkish currency. Government and concessionary companies are excepted from the latter provision.
8. The needs in foreign exchange of foreign companies, governmental and private, operating in Turkey for the payment of dividends and interest shall be determined by the Exchange Control Commissioner.

New Import Quota Lists Published (Various sources)

The Official Journal publishes the new import quota lists for the 6 months ending March 31, 1935. All relevant decrees on the quotas have been incorporated in the new law. A new category has been established comprising goods covered by clearing agreements. These goods may be imported free from quota restrictions from countries having agreements or from countries with respect to which Turkey has a favorable trade balance and which have not placed restrictions on Turkish goods. The free list will hereafter apply to the latter countries only. A further list covers goods which may be admitted by the Minister of National Economy by special agreement with the countries concerned.

Goods imported as gifts up to the value of 10 Turkish pounds are freed from quota restrictions, and the Minister of National Economy may raise this exemption to 50 Turkish pounds at his discretion.

Grosvenor M. Jones, Chief
Finance and Investment Division

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

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AUSTRALIA

(On November 24 one pound = \$3.9563)

Australian Government Finance for Quarter Ended September 30, 1934 (Assistant Trade Commissioner in Charge Wilson C. Flake, Sydney, 10/22/34)

Commonwealth and State revenues and expenditures for the first quarter of the current financial year show little headway against deficits. Deficits in this period aggregated £4,155,000, against £4,595,000 in 1933. After deducting surpluses shown by the Commonwealth and Tasmania, however, the net deficit for the quarter just closed is £2,803,000, compared with a net deficit of £1,757,000 in the first quarter of 1933-34.

	(In Australian pounds)		
	Actual surplus (+) or deficit (-)	Actual surplus (+) or deficit (-)	Estimated surplus (+) or deficit (-)
Three months July to September	1933-34	1934-35	1934-35
Commonwealth	+ 2,838,000	+ 1,272,000	+ 14,000
Victoria	- 1,015,000	- 1,101,000	- 243,000
New South Wales	- 1,498,000	- 2,023,000	- 2,910,000
Queensland	- 634,000	- 389,000	- 1,001,000
South Australia	- 696,000	- 480,000	- 518,000
Western Australia	- 506,000	- 162,000	- 644,000
Tasmania	- 246,000	- 80,000	1/
Net total	- 1,757,000	- 2,803,000	.....

1/ Not available.

Australia's Short-term Debt Increased in September (Asst. Trade Commissioner Wilson C. Flake, Sydney, 10/19/34)

September showed a further increase in the short-term debt of Australia of £2,390,000, made up as follows:

	£
New South Wales	1,095,000
Victoria	560,000
Queensland	800,000
	2,455,000
Western Australia	*65,000
Total	2,390,000

*Decrease (OVER)

1913

There were no alterations in the figures for the Commonwealth, South Australia, or Tasmania. The London portion of the short-term debt remains unaltered at £33,625,000.

The increase of £2,390,000 makes the total short-term debt £84,658,000, close to the total reached when the last funding of Treasury bills took place, in November 1933.

The short-term debt of Australia is made up as follows:

	<u>London</u> £	<u>Australia</u> £	<u>Total</u> £
Commonwealth	10,220,000	.....	10,220,000
New South Wales	10,113,000	32,360,000	43,473,000
Victoria	5,954,000	6,010,000	11,964,000
Queensland	.....	1,229,000	1,229,000
South Australia	3,816,000	4,990,000	8,806,000
Western Australia	3,031,000	5,980,000	9,011,000
Tasmania	491,000	464,000	955,000
Total	33,625,000	51,033,000	84,658,000

Assistance to Primary Industries (Asst. Trade Commissioner Wilson C. Flake, Sydney, 10/25/34)

The Governor General, in a speech, said that the Federal Government is entering into immediate discussions with the governments of the various States with regard to the question of rural relief. Aside from the promise of £4,000,000 bounty to wheat growers for the crop soon to be harvested, the Government has not yet made any announcement concerning the form of relief to agriculture. It is expected, however, that some definite action, possibly an effort to refinance farm mortgages, will be undertaken in the near future.

Growth in Bank Deposits is Checked (Asst. Trade Commissioner Wilson C. Flake, Sydney, 10/28/34)

Figures covering the 10 trading banks for the September quarter show that the growth in bank deposits, so noticeable for many months, has been checked. Compared with the June quarter, there was a decrease of approximately £7,000,000 in total deposits.

Fixed deposits decreased by £2,979,498 to £192,622,782 during the quarter, though they were £9,793,561 higher than in September 1933. Current accounts at £97,510,861 were down £3,858,985 in the quarter, but were £11,688,850 higher than last year.

BRITISH INDIA

(On November 24 one rupee = \$0.3741)

Indian Treasury Sales of Silver May Be Nearing End (Finance and Commerce, Shanghai, 9/19/34)

At a recent meeting of the Association of Bombay Shroffs the chairman, Mr. Chunilal B. Mehta, well-known bullion broker, made the following remarks with 1913

regard to the Indian Treasury's policy on silver sales. As will be noted from Mr. Mehta's speech, it is not at all improbable that the Indian Government may cease selling more demonetized silver, because silver rupees are not now flowing back into the Treasury.

"There is at present, perhaps, no greater topic of international interest than silver, the rehabilitation of which is now undertaken by the American Government. According to the Silver Agreement arrived at, at the World Economic Conference, the Government of India are permitted to sell 35 million ounces a year. But it does not mean that the Government of India must sell silver. However, the Government of India continue to sell silver, I should say, without a definite aim before them. They are not investing the sale proceeds of silver in gold, according to the recommendations of the Hilton Young Commission, and besides, their sales result in actual loss to the Government. The losses sustained by the Government on account of silver sales must be undoubtedly colossal, and they now propose to set off these losses against the Gold Standard Reserve. The final balance of transaction after the silver sales will be that most of the assets of the Gold Standard Reserve will disappear, and to this extent it is a capital loss to the country. After eight years of continued sales, the Government are in no way better for them. This should be frankly recognized by them. As a result of losing a substantial portion of their silver stocks, the silver reserve behind the notes in circulation is less than before. This is a serious matter, the consequences of which will be recognized only when a substantial demand for rupee coins appears. There are indications that with the recovery in trade there will be increased demand for silver currency and this will gain momentum if the American attempts to raise the price of silver succeed. In this eventuality the Government may be faced with an unexpected situation, for there is the obligation on their part to redeem every currency note with silver rupees. The Government cannot afford to give up this responsibility as they have easily done with the rupee ratio. Therefore, in case they continue to sell silver according to the present policy, a time may come when they may have to re-buy it at a much higher price for coinage as they did during the last post-war boom."

Government's Silver Stock on October 15 (Various sources)

The Government of India's reserve of silver coin and bullion on October 15, 1934, totaled 838,625,326 rupees and 128,930,632 rupees, respectively. Stocks of silver in Bombay amount to 10,000 bars.

Advocates Devaluation of Rupee in Terms of Sterling (Editorial in The Financial News, 10/13/34)

"Our analysis of the situation leads us to the conclusion that India's ills under the depression, being mainly the outcome of drastic fall in foodstuff and raw material prices, can only be remedied by a further devaluation of the rupee in terms of sterling. Australia, New Zealand, Canada, and South Africa have all achieved the same by devaluation in terms of sterling, and so long as the rupee is not devalued there is no remedy against depressed trade of India. This position requires urgent attention of all Indian spokesmen in order to avert further fall in India's trade and consequent disaster to India and the Empire."

Indians Hold 70,000 Bars of Silver In London (The Financial News, Bombay, 10/27/34)

Until lately, such a bullish position was created in the silver market that a fall was expected any minute, which expectation fully materialized when the price of silver in India fell from 68 rupees per 100 tolas to 64 rupees 4 annas. This can be attributed partially to the weak holdings of the Indian speculators of about 70,000 bars in the London market, the first sign of this bullish position being a fall in the price of silver in the London market by about a penny an ounce. The situation was further accentuated by the "double-option" operators who doubled and at times multiplied their sales, to offset their liabilities. It now remains to be seen how the settlement passes off.

Conversion of Rupees and Bar Silver into Ounces (Trade Commissioner G. C. Howard, Calcutta, 10/27/34)

The following conversion equivalents may be useful to those interested in silver:

Rupee coin to fine ounces: 1 rupee = 1 tola
1 tola = $3\frac{3}{8}$ fine ounces troy
The rupee coin is $11\frac{1}{12}$ th fine. Therefore,
1 rupee = 0.3435 fine ounces.

Bar silver to fine ounces: In Bombay 1 bar = 2,800 tolas
In Calcutta 1 bar = 3,000 tolas
 $2\frac{1}{2}$ tolas of bar silver = 1 fine ounce
Therefore 1 Bombay bar = 1,120 fine ounces;
and 1 Calcutta bar = 1,200 fine ounces.

CHINA

(On November 24 one yuan = \$0.3306)

Revised National Budget of China for Fiscal Year to End June 30, 1935 (Acting Commercial Attache A. Bland Calder, Shanghai, 10/24/34)

Early in August it was reported that the first budget for the current fiscal year as announced by the Directorate of Budgets, Accounts, and Statistics of the National Government of China, balanced at 777,302,226 yuan. On October 13 the Central Political Council announced that the budget had been revised and balanced at 918,111,034 yuan, an increase of nearly 141,000,000 yuan over the first budget. Details of the revised budget appeared in the Chinese press of October 24. The Finance Division has a list of the principal items in the revised budget as published and the report may be loaned to those interested.

Manchuria and the Public Debt of China (Trans-Pacific, Tokyo, Oct. 11, 1934)

The question of Manchuria's assuming part of China's foreign debt is discussed by Kosaku Tamura in Gaiko Jiho. A copy of the article, as translated and published in the Trans-Pacific of October 11, 1934, is on file in the Finance Division.

The Note Issues of Shanghai Banks (Finance & Commerce, Sept. 19, 1934)

The following figures show notes issued by Shanghai banks and outstanding July and August. Since May there has been a steady increase of slightly over 10 1913

million yuan per month.

	(Millions of yuan)	
	End of July	End of August
Bank of China	117.9	121.6
Central Bank of China	74.4	77.8
Bank of Communications	43.7	45.5
Industrial Bank of China	32.1	33.8
China and South Sea Bank	23.4	24.6
Ningpo Commercial	16.5	16.8
Commercial Bank of China	20.4	23.1
National Commercial Bank	8.6	8.6
Land Bank of China	6.7	7.0
Agricultural Bank	5.9	6.0
Total	349.6	364.8
Foreign banks	(a) 2.4	(a) 2.2
Total	352.0	367.0

(a) Estimated.

Chinese Bank Liquidated (Acting Commercial Attache A. Bland Calder, Shanghai, 11/17/34)

The Bank of East, Ltd. (Chinese), with a capital of 750,000 yuan, was declared liquidated on November 16. The liquidation was due, it is reported, to collection difficulties and mismanagement.

Chinese Mint Production (Finance and Commerce, Sept. 19, 1934)

Since its inception in March, 1933, the Central Mint at Shanghai has produced 100,000,000 yuan. During July 1934, work was discontinued for repairs and adjusting of machinery. Production figures for recent months are as follows:

	<u>Production</u>	<u>Passed by Committee</u>	<u>Delivered to Central Bank</u>
May:			
Yuan	5,993,757	6,000,000	6,000,000
Bars	5,256	5,256	5,250
June:			
Yuan	6,841,915	7,310,000	6,800,000
Bars	5,219	5,219	5,050
Closed for repairs			
July:			
August:			
Yuan	5,190,000	5,190,000	5,190,000
Bars	4,827	4,610	4,610

From the beginning until August of 1934, total production aggregated 100,391,000 yuan, of which 65,770,000 yuan is represented by newly minted dollar coins, while the balance of 34,621,000 yuan applies to mint bars.

Economic Control Favored by Bankers (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/9/34)

Leading Chinese bankers in Shanghai are reported to have submitted to the Minister of Finance a proposal for the enforcement of national economic control as 1913 (Over)

to counteract the general depression. No details have been revealed, but the project is believed to include some form of limitation of imports, either by high tariffs or quotas.

Shanghai and China's Silver Movements (E. Kann in Finance and Commerce, 11/17/34)

During the 12 years 1922-33, Shanghai's net imports of silver from abroad and the interior combined, were 515 million yuan, an annual average gain of 43 million. Yet Shanghai gave up more silver to interior China than it received from the interior. Many people thought that most of the money coming to Shanghai was for safekeeping, as a result of uncertainty in the interior. "I never could share this view (except for small portions), and it seems that I judged correctly. Other wise we should have been witnessing heavy withdrawals of silver funds by the interior owing to the present currency crisis in Shanghai."

How Chinese Equalization Tax on Silver is Calculated (Finance and Commerce, 10/17/34)

The interpretation of the last paragraph contained in the Government's proclamation was not generally clear. In response to many inquiries, we quote herewith the method for arriving at the desired end. The constant for London silver and Shanghai telegraphic transfer parity (without charges), according to the formula established by Mr. E. Kann, is 0.8165744.

Say London silver price is 24 $\frac{3}{8}$ pence per std. ounce,
 $0.8165744 \times 24.375 = 19.904001d$ (or 7.15/16).

Say on the same morning (at 11.30 a.m.) the Shanghai market rate
 is fixed at 1s. 5 $\frac{3}{4}d$. 17.75000
 Add: 7 $\frac{3}{4}$ percent duty on dollars 1.37562
 19.12562

The theoretical parity, as above, works out at 19.90400
 Based on 5- $\frac{3}{4}$ difference (about 4 $\frac{1}{4}$ percent) 0.778381

Therefore, the export duty on dollars on that particular day ought to be 7 $\frac{3}{4}$ plus 4 $\frac{1}{4}$ percent, or 12 percent. On sycee and foreign bars 2 $\frac{1}{4}$ percent higher, i. e., 14 $\frac{1}{2}$ percent.

The system adopted by the Central Bank, though based on the same figures as adopted by Mr. E. Kann, is presented as follows:

Theoretical telegraphic transfer parity is as near as possible	1s. 7.15/16d.
Market rate of exchange at 11:30 a.m. is	1s. 5- $\frac{3}{4}$ d.
The difference amounts to	2 $\frac{3}{16}$ d.
and this latter represents	12 $\frac{3}{4}$ perce
Deduct the duty of 7 $\frac{3}{4}$ percent	7 $\frac{3}{4}$ perce
Therefore, equalization charge	4 $\frac{3}{4}$ perce

Gold Base Favored for Manchukuo (Trans-Pacific, 10/25/34)

Opinion is gaining strength among Japanese authorities interested in the Japan-Manchukuo economic bloc that the adoption of a gold standard is necessary for Manchukuo, considering the fundamental bloc policy of the two States. The present rise in silver is intensifying the need of a gold standard. A simplification of the Japan-Manchukuo economic bloc is emphasized in Japan in viewing the 1935-36 crisis facing the country, but the functioning of the silver standard in Manchukuo is no small deterrent to the movement of capital between the two countries.

If it is found difficult from technical and other considerations for Manchukuo abruptly to turn to gold, Manchukuo had better maintain the silver standard for the time being, meanwhile adopting a "gold-exchange" policy in dealing with Japan as a step toward the gold standard, it is contended among Japanese authorities, the Jiji reports.

Manchurian Central Bank Report. (Vice Consul A. W. Edson, Mukden, 10/5/34)

The balance sheet of the Central Bank, as of June 30, was published during the period under review, and although only grand totals under general headings are given, the report indicates that the bank's affairs are in good condition. Bullion held by the bank more than doubled as compared with the previous year, and in June constituted a 37 percent reserve against the note issue of approximately 100,000,000 yuan, which is further supported by deposits in other banks totaling over 60,000,000 yuan. A profit of over 800,000 yuan was realized from the year's operations, and a 6 percent dividend was declared on the shares of the bank held by the public. Despite this favorable showing, the Manchukuo yuan has declined and is now at a 7 percent discount as compared with local silver "dollars," and also with Shanghai exchange. The unfavorable balance of trade is primarily responsible for this decline, rather than lack of confidence in the Central Bank.

Kwangtung Embargoes Silver Exports (Acting Commercial Attache A. Bland Calder, Shanghai, 11/15/34)

On November 14 the Kwangtung Provincial Government announced an export embargo on silver bullion. Individuals leaving the Province may not take out over 20 yuan in silver coin.

Disparity Between Silver and the Yuan in September (Finance and Commerce, Shanghai, 10/17/34)

An article in Finance and Commerce of October 17, 1934 shows that, in September, the average discounts of the yuan in terms of its silver parity based upon exchange rates were as follows:

Based upon telegraphic transfer rate on -

	<u>Percent</u>
New York	6.2
London	5.3
Bombay	5.0

Minister of Finance Denies Inflation Policy, Gold Standard

A news item in the October 28, 1934, issue of The North China Daily News (British), Shanghai, reads as follows:

Dr. H. H. Kung, Minister of Finance, who arrived from Nanking yesterday, emphatically denied the rumor that the Government was proceeding with an inflation policy. He also denied the report that the Government was considering a gold standard.

Imports of Silver Bullion into Shanghai from Foreign Countries during September 1934 (Consul Richard P. Butrick, Shanghai, 10/24/34)

According to the records of the Chinese Maritime Customs, no silver bullion was imported into Shanghai from foreign countries during September 1934.

Equalization Tax on Silver (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/22/34)

The equalization charge on silver exports was 6.75 percent on November 20, 21, and 22. Silver is firm in Shanghai. Between November 19 and 22, inclusive, more than 750,000 yuan have been exported (after paying the export tax and equalization charge).

The Government is still concerned over the export smuggling of silver, and the Minister of Finance is reported to be planning soon to issue regulations for the punishment of smugglers.

Text of Gold Order.

From an unofficial source the Finance Division of the Bureau of Foreign and Domestic Commerce has received the following text of an order issued by the Finance Ministry to the supervisor of the gold-bar stock exchange on September 10 "The former practice of using foreign exchange instead of gold in set-offs on the Gold Bar Stock Exchange not only is at variance with the principle on which the exchange is instituted, but has permitted the Exchange to be utilized for manipulations by unscrupulous speculators. For the purpose of stabilizing the market, you are hereby instructed immediately to order the Gold Bar Stock Exchange that, effective from the date of receipt of this order, the set-off of all its transactions must be made in gold and not in foreign currency. Transactions entered into before the aforementioned date may be settled according to the terms of the respective contracts.

"The settlement in gold shall be placed in charge of a fineness examination committee to be organized by the Exchange.

"This order has also been communicated to the Ministry of Industries."

The Shanghai Gold Stock Exchange (Finance and Commerce, September 19, 1934)

After protracted negotiations carried on with a view to the amalgamation of the Shanghai Gold Stock Exchange with the Chartered Produce Stock Exchange, this project has just been realized and the last-mentioned institution has ceased to function as a gold bar exchange. Of its brokers, about 25 have gone over to the

Shanghai Gold Stock Exchange, whose membership has thus been augmented. According to the new statutes of the Shanghai Gold Stock Exchange, Ltd., already approved by the authorities, it is authorized to deal in: Cash gold bars, forwarded gold bars, customs gold units, international exchange, and silver bullion.

At this juncture it is not yet clear in what manner the Gold Bar Exchange is likely to handle international exchange.

Central Bank Purchases Gold Bars

According to the Chinese Economic Bulletin (weekly publication of the Bureau of Foreign Trade of the Ministry of Industry), the Central Bank of China for several weeks has been active in the gold bar market, principally in the cash purchase of gold bars. It is believed by some that the Central Bank now owns a majority of the actual gold bars in China.

Foresees Exports of Silver by China (Finance and Commerce, 10/24/34)

In normal times China, despite the preponderance of imports, has been, on balance, an annual importer of silver. The times are far from normal, however, and the invisible exports which in the past have contributed to this state of affairs (remittances from Chinese immigrants, etc.), have dried up. An annual efflux of silver, in these circumstances, may be expected to be the rule rather than the exception, and it is consequently difficult to see how the "control" will be able to meet the demand for remittance, which on balance must predominate, without actually shipping silver -- the one thing it is hoped to avoid.

Money Market Tightens; Central Bank Exports Gold (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/22/34)

Tight money continues to characterize the Shanghai market.

With the reported shipment on November 18 by the Central Bank of 10,000 gold bars to foreign countries for the purpose of covering foreign exchange transactions, the price in the local gold bar market rose sharply to 1,607 yuan per bar early in the week from 970 yuan on November 16, but dropped below 1,000 yuan on the receipt of news of Senator Pittman's statement that he believed silver would continue to rise. On November 22 the quotation for gold bars was 996 yuan.

Customs Revenues Through October (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/9/34)

The customs revenues of China for the first 10 months of 1934 were only 216,000,000 yuan, despite the higher tariffs. During the corresponding 10 months of 1933, when the tariff was lower, revenues were 217,000,000 yuan. The Finance Ministry authorities attribute the decline in revenues in part to large scale smuggling.

Shanghai trade has been upset by the exchange situation. During the first 9 months of 1934 imports were 30 percent less than in the same period of 1929; exports were but one-fifth of their volume in 1929.

Railway Construction Program (Acting Commercial Attache A. Bland Calder, Shanghai
Nov. 16, 1934.)

The National Construction Commission has concluded an agreement with Chinese banks for a loan of 3,700,000 yuan for completion of the Hweinan railway and improvement of power plants at Nanking and Wusih.

Power Plant for Nanchang (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/9/34)

The Chinese Development Finance Corporation has concluded a financial agreement with the Government of Kiangsi Province. The agreement is dated November 1, pertains to the construction of a power plant at Nanchang, and provides that 1,800,000 yuan will be advanced when the Kiangsi authorities subscribe 1,500,000 yuan.

Shanghai Money Market Tightens as Silver Leaves for Outports (Acting Commercial Attache A. Bland Calder, 11/17/34)

The Shanghai money market shows signs of tightening with inter-bank loans between native banks bringing $6\frac{3}{4}$ percent. This rate is the highest of the year and is attributed to concern arising from the shipment of 2,250,000 yuan to Kwangtung Province whence, it is feared, the metal may be smuggled out of the country. The tightening of the money market is in part also explained by the movement of silver to interior China for financing crop movements. These movements are reducing stocks of silver in Shanghai. Holdings of the metal in that city are now down to 287,000,000 yuan as compared with 410,000,000 yuan at the end of October. Interest rates are expected to continue high until Chinese New Year next February, when a difficult settlement period is anticipated.

Shipments of silver from Shanghai to foreign countries since the inauguration of the export tax and equalization charge on October 15 are reported as totaling 4,250,000 yuan. This includes 1,000,000 yuan already laden when the tax went into effect, 1,000,000 sent to San Francisco on October 31, 1,000,000 to New York on October 13, 250,000 to London November 14, and 1,000,000 to London on November 15.

The Central Government's Mint at Shanghai plans shortly to commence to increase the production of silver yuan coins to a daily rate of 350,000.

Shanghai Waterworks Appropriation (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/9/34)

The Municipality of Greater Shanghai has appropriated 5,000,000 yuan for the construction of modern waterworks in the Pootung area. The works are to have a capacity of 3,000,000 gallons per day.

To Tax Stock and Commodity Exchange Transactions (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 11/22/34)

The Central Political Council at Nanking decided on November 21 to instruct the Legislative Yuan to draft a schedule of taxes on commodity and stock-exchange transactions.

FRENCH INDO-CHINA

(One Piaster = 10 French francs, or on November 24 = \$0.6590)

Legislation Affecting Commercial Relations Between French Indochina and Germany*
bars

The Finance Division has a report on the above subject and will loan it to interested parties. Please ask for report No. 26829, dated October 8, 1934, from Consul Quincy F. Roberts, Saigon.

New Silver Coins to be Minted (Consul Quincy F. Roberts, Saigon, 9/10/34)

In an executive order dated June 12, 1934, the Governor-General promulgated a French decree of May 8 authorizing the minting of subsidiary coins. Among the coins authorized are the silver piaster weighing 20 grams, 0.900 fine; the silver 20-cent piece weighing 5.4 grams, 0.680 fine; and the silver 10-cent piece weighing 2.7 grams, 0.680 fine.

HONG KONG

(On November 24 one dollar = \$0.4141)

Silver Movements in August (Acting Commercial Attache A. Bland Calder, Shanghai, 10/23/34)

Hong Kong's silver movements in August were as follows:

Item	Imports	Exports
	HK\$	HK\$
Bullion	130,062	1,361,000
Hong Kong dollars	2,092,850	---
Chinese yuan	2,368,003	2,400,902
Unspecified coins	143,000	133,900
Subsidiary coin	136,697	153,801
Total	4,870,612	4,049,603

JAPAN

(On November 24 one yen = \$0.2903)

Budget Figures as Passed by Cabinet

The Financial Commission of the Imperial Japanese Government in New York has received the following cable from Tokyo under date of November 26, 1934:

The estimate of revenue and expenditure for the fiscal year 1935-36, approved by the Cabinet meeting on November 24, 1934, is 2,122,326,000 yen. The summary is as follows:

	Yen
REVENUE	2,122,326,000
Ordinary	1,334,884,000
Extraordinary	787,442,000
Public loans	683,153,000
Surplus from the preceding year	7,000,000
Other revenue	97,288,000

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(Over)

EXPENDITURE	2,122,326,000
Ordinary	1,288,702,000
Army	174,126,000
Navy	220,929,000
Extraordinary	833,624,000
Army	317,150,000
Navy	309,263,000

At the same Cabinet meeting, the following additional expenditure was decided upon.

A. For the fiscal year 1934-35:

	Yen
a. Relief for the typhoon disaster	70,691,000
b. Other (Bureau of Manchurian Affairs, Committee for Development of Northeastern Region of Honshu, etc.)	311,000

B. For the fiscal year 1935-36:

a. Relief for the typhoon disaster	65,165,000
b. Other (Bureau of Manchurian Affairs, Public Debt Service, Committee for Development of Northeastern Region of Honshu, etc.)	3,848,000

Japanese Budget Approval Delayed by Cabinet (Commercial Attache Frank S. Williams Tokyo, 11/12/34)

Cabinet approval of the budget submitted by the Ministry of Finance has been postponed, in view of strong military agitation for higher allotments. Opinion privately expressed in Japanese financial circles is to the effect that the Finance Ministry's limitations of Army and Navy demands will have to be raised since the defense branches of the Government are clearly dissatisfied with the announced allotments.

The opening date of the extra session of the Diet is November 27 and the closing date December 4. The ordinary session will open December 24.

The National Debt on October 31 (Commercial Attache Frank S. Williams, Tokyo, 11/12/34)

On October 31 the national debt of Japan was 8,336,000,000 yen. Domestic debt totaled 6,928,000,000, and foreign debt, 1,408,000,000. In addition rice bills in the amount of 540,000,000 yen were outstanding.

Financial Cable from Tokyo (Ambassador Joseph Grew, Tokyo, 11/19/34)

The Government's proposed profit tax has upset business and financial circles, depreciating securities heavily. However, the budget insures a high level of industrial production.

Bank clearings declined in September, while deposits, loans, the note-issue reserve, postal savings deposits, capital payments, railway receipts, and freight tonnage increased.

Typhoon Losses Make Increased Taxes Inadvisable (Trans-Pacific, 10/18/34)

Holding increases in taxation to be impossible after the tremendous damage caused by natural calamities in many parts of Japan in the last year, Finance Minister Sadanobu Fujii, according to the Jiji, has decided to depend on additional issues of Government bonds to cover the budget deficit in the fiscal year 1935-36. In doing that he will be following the policy of his predecessor, Mr. Korekiyo Takahashi, and the Jiji notes that Mr. Fujii has called on the former Finance Minister several times in the last few days.

Yen Exchange in October (Commercial Attache Frank S. Williams, Tokyo, October 22, 1934.)

The recent weakness that has characterized yen exchange was accentuated during the past week, principally because of the chaotic exchange situation in Shanghai. Sterling was quoted at $1/1\frac{3}{4}$, the lowest since last April. The weakness was also somewhat intensified by the abnormal volume of import bills offered to the banks. Such bills have been accumulating for some time and many importers have reached their limit and can take no further risk on exchange, thus necessitating their entering contracts to cover.

The Yokohama Specie Bank maintained its yen-dollar selling rate at 28-5/8, a quarter point above the market, and its sterling rate at 1s. 2d. flat, also a quarter point above the market. This endeavor to retard the drop in the yen indicates the Government's desire to maintain rates around \$28 to \$30 per 100 yen, and sterling at 1s. 2d.

Reports in banking circles during the week also indicate that Dairen has been selling yen in fairly large quantities and that Chinese are sending silver to Manchuria in spite of restrictive measures in force.

Various observers believe that the market was very much weaker on the 20th than a week earlier, with the probability of a further decline.

Bank of Japan to Sell Bonds (Radiogram from Commercial Attache Frank S. Williams, Tokyo, 11/5/34)

The Bank of Japan will shortly sell 10,000,000 yen of bonds bearing 4.3 per cent interest, redeemable after 2 years and within 12 years by lot.

Bank Deposits Declining (Commercial Attache Frank S. Williams, Tokyo, October 22, 1934)

Bank deposits and loans have shown a tendency to decline during the last few months, while last year there was a continued upward trend, particularly in deposits and in surplus cash available for investment. The so-called "crisis of 1935" is not proving such a decided "stimulus" as the Army and Navy are supposed to have expected. In fact, there seems to be decided hesitancy and even some antagonism on the part of many business and industrial leaders, against the continued heavy "red ink" bond flotations.

Clearings Decline in September (Commercial Attache Frank S. Williams, Tokyo, 10/22/34)

Trading on both security and commodity markets has been decreasing for some time. This fact is reflected in the sharp drop in bank clearings for September. The reduction was particularly noticeable in the Osaka district, owing chiefly to the typhoon. Other sections, however, also experienced substantial drops, and the
1913
(Over)

total bills cleared in the Empire were only 2,795,872 valued at 4,833,493,000 yen, a drop in number of 242,193 since August, and a decline in value of 653,600,000 yen. Compared with September 1933, there was a decline of 177,419 bills and 1,010,599,000 yen.

Railway to Cease Encouraging Immigration into Manchuria (The Trans-Pacific,
Tokyo, October 11, 1934.)

The South Manchuria Railway Company has decided to discontinue further investment in the Toa Agricultural Development Company and the Dairen Agricultural Company, two of its affiliates. Ever since the Manchurian episode, Toa Agricultural has been interested in the so-called armed immigration from Japan at Chamusu in North Manchuria.

Subsidies paid by the S.M.R. amounted to 2,000,000 yen during 1933-34, and 3,000,000 yen during 1934-35. Dairen Agricultural has also devoted itself to promotion of agricultural enterprises under support of the railway company.

The Yomiuri reports that these two companies had poor business before the Manchurian incident and were regarded as "white elephants", but that since then they have been active. Now, however, their prospects are not promising.

Postal Savings in October (Commercial Attache Frank S. Williams, Tokyo, 11/12/34)

At the end of October postal savings totaled 2,976,000,000 yen, a gain of 1,000,000 during the month.

Tokyo Electric Light Will Resume Dividend (Commercial Attache Frank S. Williams,
Tokyo, 11/12/34)

Tokyo Electric Light Company has decided to resume dividend payments during the current half-year. The last dividend was paid in January 1934. The rate of dividend is expected to be 4 percent.

Tokyo Power Increase Capital (Ambassador Extraordinary Joseph C. Grew, Tokyo,
November 12, 1935.)

The Tokyo Electric Power Company is to increase its capital by 70,000,000 yen to 200,000,000.

Trust Company Dividend Lower (Ambassador Extraordinary Joseph C. Grew, Tokyo,
November 12, 1934.)

The Mitsubishi Trust Company has decreased its dividend rate by 2 rin to 4.2 percent. (One rin = 1/10 sen.)

NETHERLAND INDIA

(On November 24 one florin = \$0.6761)

Budget Deficit Estimated (Various Sources)

No further details have become available about the Netherland Indian budget for 1935, except that a local newspaper states that various modifications will create a deficit of nearly 75,000,000 florins.

PALESTINE

(One Palestine pound = one pound sterling or on Nov. 24 = \$4.9902)

Jewish Investments in 1934 Estimated at LP.10,000,000 (Consul Joseph L. Brent, Jerusalem, 10/6/34)

It is estimated by an economic expert of the Jewish Labor Federation that during 1934 Jewish investments in Palestine will amount to the unprecedented sum of 10,000,000 Palestine pounds. This figure is made up of the following items:

	Palestine pounds
Urban building	4,500,000
Plantations (new and immature orchards)	1,500,000
Rural building	800,000
Mixed farming (keren Yeyesod, P.I.C.A. settlers and other private investments)	250,000
Industry (new works and expansion of old ones)	1,000,000
Transportation (automobiles, etc.)	400,000
Land purchase from non-Jews	500,000
Commercial investments, approximately	500,000
	<u>9,450,000</u>

The above sums do not include money spent on existing property, or overhead expenditures, or sums imported for education, health, charity and other activities. This estimated investment for 1934 is 65 percent above the figure for 1933. (Palestine Post, 9/26/34).

PERSIA

(The rial has a par value of approximately \$0.4120)

Abandonment of Silver Standard by Persia Recommended by Bank (Vice Consul Raymond A. Hare, Teheran, 10/29/34)

Interest has been shown in publication of the National Bank's annual report for the year 1312 (March 20, 1933-March 19, 1934). Commenting on general economic and financial problems in Persia, the bulletin frankly admits that Persia's economic situation is far from satisfactory. It argues, however, that the causes are largely exterior and mentions specifically the general depression in world markets, protective tariffs, economic nationalism, and the fall of foreign exchange, particularly of the dollar and sterling.

Exchange still remains a factor of demand and supply and the world price of silver, but principally of the former, inasmuch as the average rate for the year in question was 6.5 percent above the silver content value. The National Bank (which favors a lower rial as a means of facilitating exports and providing cheaper and more plentiful money) deplors this lack of control in the following significant statement:

This passive acquiescence which silver imposes on us is manifestly unsatisfactory, and recent events in the market for this metal serve once again to throw into relief the inconvenience of the prevailing monetary system. In our belief, the abandonment of the silver standard is indispensable for establishing, also in this domain, the independence and autonomy of Persia. We can add that never have conditions preliminary to the abandonment of the silver standard,

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given the existence of considerable stocks of precious metals and currency at the disposition of the National Bank of Persia, been more propitious, nor the necessity of taking such a measure, in view of probable developments in the silver market, so pressing as today.

The National Bank is an official institution and its views may be presumed to coincide with those of the Government.

Price of gold is changed (Vice Consul R. A. Hare, Teheran, 10/1/34)

The National Bank of Persia has lowered the price of gold from 72 to 70 rials per miscal (1 miscal = 4.64 grams) until further notice. Prices of various gold coins have been fixed as follows:

	<u>Rials</u>
Sovereign	118.50
Turkish pound	108.50
10-rouble piece	126.00
10-mark piece	116.50
Napoleon	94.50

PHILIPPINE ISLANDS

(One peso - 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Budget Approved by Senate October 15 (Trade Commissioner C. Grant Isaacs, Manila, 10/20/34)

Without opposition, the Senate on October 15 approved the 1935 appropriation bill as revised and reported by the Senate committee on finance, carrying a total outlay of 42,507,353 pesos, which is 870,022.79 pesos more than the amount approved by the House and 350,559 pesos more than that requested by the Governor General in his budget. The bill was sponsored by Senator Jose Avelino, chairman of the committee.

Philippine Banking Statistics for October (Trade Commissioner J. Bartlet Richards, Manila, Nov. 17, 1934.)

October banking conditions were less satisfactory than in September, with decline featuring nearly all items in the bank reports. The only improvement noted was in average daily debits to individual accounts, which increased one point.

Bill Declaring Partial Embargo on Gold*

The Finance Division has the text of a bill introduced by Representative Carag in October, entitled: "An Act Declaring an Embargo by the Government of the Philippine Islands of 20 percent of the Annual Production of all Gold Concessions in the Country, and Appropriating Funds Therefor.

TURKEY

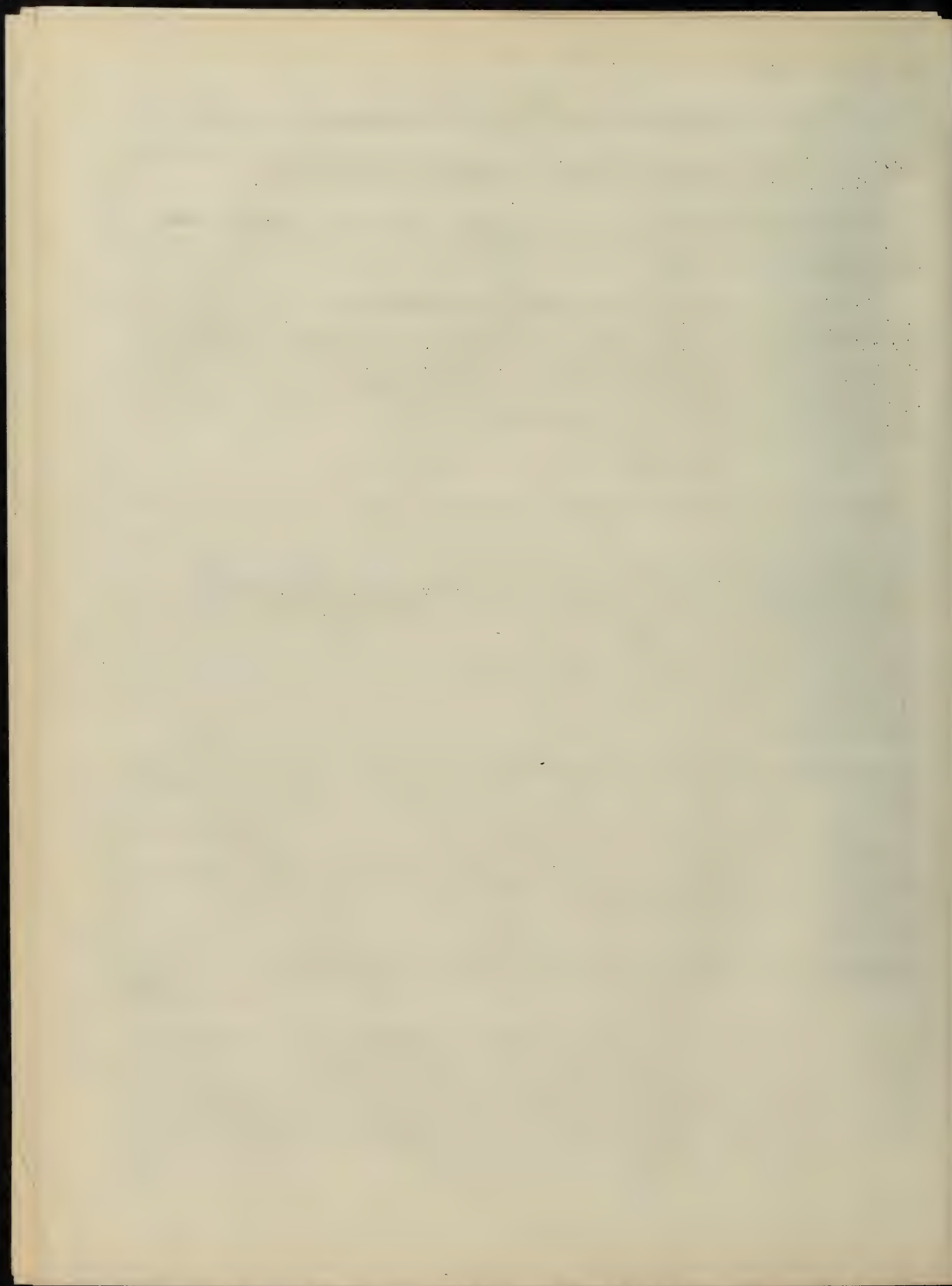
(One Turkish pound = 12.06 French francs or on November 24 = \$0.7947)

Forty Two Million Turkish Pounds Added To The Capital of the Sumer Bank (Commercial Attache Julian E. Gillespie, Istanbul, October 20, 1934.)

The Finance Division has received a French translation of Law No. 2580, providing for an increase of 42,000,000 Turkish pounds in the capital of the Sumer Bank.

It will be recalled that the Sumer Bank was created by an Act of the Grand National Assembly of Turkey (Law No. 2262) of June 7, 1933, for the purpose of directing industrial developments in the country. In fact, the Sumer Bank is the agency primarily responsible for the realization of the Turkish five-year industrialization program. The capital of the Sumer Bank was originally fixed at 20,000,000 Turkish Pounds, but it was provided that its capital might be doubled if the Government so desired.

Grosvenor M. Jones, Chief
Finance Division



DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

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for the statements or opinions therein.)

AUSTRALIA

(On December 10 one pound = \$3.9275)

Commonwealth Finances; the Figures Interpreted. (Assistant Trade Commissioner
W. C. Flake, Sydney, 11/12/34)

During the first 4 months of 1934-35, Commonwealth receipts amounted to £24,130,000 and expenditures, £21,974,000. The excess of revenue over expenditures is £1,350,000 below the excess for the corresponding months of last year. Expenditures during the first 4 months of the present year were £2,086,000 less than the budget estimate for the period, owing largely to a change in the date of oversea interest payments. Thus, the budget position is not as favorable as surface figures might indicate. The savings effected by conversion operations have been largely offset by increased expenditures for invalid and old-age pensions.

London Conversion Operation Announced. (Assistant Trade Commissioner W. C. Flake,
Sydney, 11/12/34)

Arrangements had been made for the conversion in London of £14,601,806 of Australian Government securities. The conversion represents several issues with yields ranging from $3\frac{1}{2}$ percent to 5 percent, which are being converted into $3\frac{1}{4}$ percent bonds at 99. This brings the total conversion since October 1932 up to £124,450,000, involving a saving in interest of more than £2,400,000 per year.

Banking Inquiry to be Asked (Assistant Trade Commissioner Wilson C. Flake,
Sydney, 10/29/34)

The Prime Minister recently expressed willingness to order a banking inquiry if one should be requested by a substantial number of the members of Parliament. A few days ago a member of the House of Representatives announced that he would move that a Royal Commission of experts be appointed to inquire into the operation of Australian banking and the monetary system "in both its internal and international aspects, and to make recommendations which would assist trade and industry and reduce unemployment."

Internal Loan Decided Upon; Rural Relief Planned (Assistant Trade Commissioner
Wilson C. Flake, Sydney, 11/12/34)

The Loan Council has decided to float an internal loan of £15,000,000. The flotation is expected during the last week in November. The terms have not yet been announced, but the Loan Council stipulated that they should not be less favorable than a 3 percent issue at 99. Developments in the money market before the end of November may make it possible to float the loan on even better terms. It is expected that £3,000,000 will be used for funding Treasury bills, £3,000,000 for Commonwealth purposes (public works), and the rest for financing the works programs of the various states. The net loan works budget for all the Government for 1934-35 amounts to £22,642,000.

In addition to the funds being spent on works to provide employment, the Government is now interested in some form of relief to farmers and stockraisers. During the last election assistance to primary producers was promised and the Federal Government has now invited the various States to submit proposals. The States have not yet done so, but it is unlikely that the Federal Government will participate actively. There is a growing belief that machinery will soon be set up in all the States to facilitate rural debt adjustment.

Open Market for Treasury Bills is Discussed (Assistant Trade Commissioner
W. C. Flake, Sydney, 11/5/34)

The Loan Council has been considering the establishment of an open market for treasury bills in Australia. Some members, particularly State treasurers affiliated with the Labor Party, insist that, although the rate for treasury bills has declined from 6 to 2 percent, it is still too high, and an open market should be established so that insurance companies and other organizations may compete. It is said that in England, where open tenders are called, the rate on treasury bills is less than 1/2 of 1 percent, and that there is no reason why the rate in Australia should not be equally low. This proposal comes into particular prominence since the Commonwealth Bank has declined to finance state deficits after next June. Some members of the Council feel that the Government itself should call for tenders, giving everybody a chance to bid. The Council has not reached a decision on the subject, but it is generally felt that the time is not far distant when an open market will be created.

Deposits of Australian Savings Banks Show Increase in September Quarter 1934
(Asst. Trade Commissioner Wilson C. Flake, Sydney, 11/7/34)

Savings bank statistics for September, issued by the Commonwealth Statistician, show an increase of £9,916,000 in deposits during the preceding 12 months. The increase was greatest in New South Wales, namely £3,732,000, or 5.2 percent above the figures for September 1933.

BRITISH INDIA
(On December 10 one rupee = \$0.3725)

Imperial Banks Supposed Plans for Expansion Not Confirmable (Various sources)

For some time it has been rumored that the Imperial Bank of India was acquiring a controlling interest in exchange banks for the purpose of getting into the exchange business. This rumor cannot be confirmed. Local bankers state that

there is so little profit in exchange at present that they doubt seriously that the Imperial Bank would acquire interests in "exchange" banks for such a purpose. They add that if the Imperial Bank wishes to build up an exchange business it could easily do so through its numerous branches, which turn over to the "exchange" banks considerable amounts of such business.

The reasoning behind the rumor seems to be that, when the Reserve Bank is established, the Imperial Bank will lose a considerable amount of Government business and hence building up an exchange business instead would be a natural move.

Gold Replaces Silver in Currency Reserve

The Indian currency returns show a gradual replacement of silver with gold during the past year. On October 15 silver coin and bullion showed a net decline during the year of 75,278,000 rupees, whereas gold bullion increased 119,408,000 rupees.

Local Silver Supplies Bazaar Demand (Indian Finance, 10/27/34)

In the Indian silver market demand from the interior is meager. Stocks are heavy and offtake poor. At a rise in price, domestic silver comes into the market for sale and, being cheaper than the standard quality, is preferred for internal use.

CHINA

(On December 10 one yuan = \$0.3455)

Exchange Restrictions Results In Withdrawal of Capital (Vice Consul Andrew W. Edson, Mukden, 10/31/34)

On October 1 the "Manchukuo" Government ordinance prohibiting transactions in Antung (Chenping) taels became effective. It is estimated that as a result of this ordinance nearly 4,000,000 yuan previously employed in speculation in Antung taels will be withdrawn from Manchuria by Shantung and Chekiang banking groups by the end of this year. The usefulness of this currency had decreased greatly with the decline of Antung's importance as a shipping center, and it became entirely superfluous after the substitution of the "Manchukuo" yuan for the many fluctuating currencies previously in use in Manchuria.

The "Manchukuo" yuan fluctuated widely during the month in sympathy with the movements of the Shanghai yuan caused by the silver policies of the American and Chinese Governments. These fluctuations gave rise to renewed press comment concerning the desirability of placing the "Manchukuo" yuan on a gold basis in order to free it from fluctuations in Shanghai exchange, and in order to stabilize the yuan-yen rate.

Government Gives Concession for Tax Collection (Acting Commercial Attache A. Bland Calder, Shanghai, 12/1/34)

The Finance Ministry has allotted to the China Development Finance Corporation on a 7-percent commission basis the collection of 30,000,000 yuan of cigarette-stamp taxes. The corporation will make monthly advances to the Finance Ministry.

Law Regarding Payments of Interest (Trade Commissioner A. Viola Smith, Shanghai, 11/3/34)

One of the leading Chinese attorneys in Shanghai states that under the new Chinese Civil Code the provision that unpaid interest may not exceed the principal has been enforced and that this action has been upheld by the Supreme Court at Nanking. He indicates that this provision has been ruled upon in a number of instances and is now a well recognized principle of Chinese law.

Szechuan British Loan Agreement is Cancelled (Vice Consul Robert M. Taylor, Hankow, 10/11/34)

The Young Brothers Banking Corporation has announced the cancellation of its agreement of June 28 with British financiers for the industrial development of Szechuan, regarding which there was much controversy.

Shanghai Banks Open Branches in Hankow (Vice Consul Robert M. Taylor, Hankow, 10/11/34)

The recently opened Hankow branch of the Agricultural and Commercial Bank issued bank notes to the value of Hankow 250,000 yuan in September. The Changsha office was opened on October 1.

The Manufacturers Bank of China, Ltd., opened an office at Hankow on September 12, and expects to establish branches shortly at Changsha, Chengchow, and Chungking.

Local banks are showing more interest in making direct loans to small farmers and farmers' cooperative societies against crops. The rate charged farmers by the Shanghai Commercial and Savings Bank is 1 percent per month.

Small Shanghai Banks Compete for Deposits

A report transmitted by American Consul Richard P. Butrick, under date of October 24, quotes an editorial from the China Times (a Chinese Vernacular daily) on the competition for deposits on the part of small Chinese banks. Such banks advertise interest of 10 and 11 percent on fixed and savings deposits, and offer various inducements such as gift radios, electric stoves, toys, free remittances, etc. The consular report comments as follows:

While most of the small "native type" banks have a paid-up capital of from 50,000 yuan to 200,000 yuan, many have been opened with fictitious capital (as herein described). It appears that at the time of their registration with the Ministry of Finance in Nanking, they comply with the regulations governing such registration and actually put up capital which is subsequently withdrawn. On the granting of banking licenses by the Ministry of Finance, such banks busily engage themselves with the task of renting premises, preparing "opening commemorations", etc. to the fullest extent, as in the case of the Ningpo Industrial Bank, presumably obtaining thereby enough cash with which to commence their functions. The only redress that the depositors have is the reserve of one-fourth of the deposits sent by these banks to the Central Bank of China in accordance with the Chinese law governing savings banks.

China Takes Further Measures To Minimize Silver Outflow (Radiogram from Acting Commercial Attache A. Bland Calder, Shanghai, 12/8/34)

The monetary problem continues the principal concern in business circles in China. During the past week the Ministry of Finance has taken several measures relating to silver. On December 1 it announced definitely that the Government of China was not contemplating the nationalization of silver or suspension of redemption of the banknotes in silver. The Ministry added that the silver reserves of the Chinese banks were well above the legal requirements.

On December 3 the Ministry issued instructions to chambers of commerce and to modern and native style banks throughout the country calling for their help in preventing undesirable exports and the smuggling of silver out of the country.

On December 4 the Government instructed the customs to confiscate any silver detected in the process of being smuggled abroad, as well as all silver moving from one part of China to another without the necessary Government permit. In such cases the consignors must pay a fine equivalent to 100 percent of the value of the silver, 40 percent of the fine being paid to the informants. Customs officials are held responsible for the control of silver movements in their territory and are to be punished for negligence. The provincial, military and civil authorities have also been instructed to exercise the utmost vigilance to prevent smuggling and to punish severely all violators of the Government's regulations.

The Chinese Government's control of internal silver movements continues to affect seriously the money market and internal exchange transactions. For example, on December 7 remittances from Shanghai to various interior cities of China entailed the payment of premiums as follows:

Shanghai-Tientsin	1.5 percent
Shanghai-Hankow	1.3 percent
Shanghai-Tsingtao	1.0 percent
Shanghai-Tsinan	1.0 percent
Shanghai-Chefoo	6.0 percent
Shanghai-Swatow	3.0 percent

The costliness of remittances to these cities has created tight money conditions, particularly in the Shantung cities, where the native bank interest rate rose to 20 percent. Banks in Chefoo are reported to have issued 500,000 yuan of additional banknotes, but they refuse to redeem their notes in amounts above 10,000 yuan.

The Hankow Chamber of Commerce has again petitioned the Ministry of Finance to permit the freer movement of silver. The American consul at Hankow reports the failure of a large Chinese firm in Honan Province, this failure disturbing crop financing in that up-country suppliers--who normally accept bank drafts from Hankow merchants--are now insisting on payment in actual silver because of their losses on unpaid drafts of the bankrupt concern referred to.

Hunan Province has rejected the idea of a silver embargo, but none the less requires permits on outward movements of silver in excess of 200 yuan.

In Shantung Province permit regulations for the Government of silver movements both inward and outward have been introduced. Money rates in the interior have eased somewhat in the last few days, the tendency appears still to be downward.

Suggestions have been made that the equalization charge on silver exports be refunded in the case of re-imports by local banks. No official reaction to this proposal has yet been made public.

The equalization charge on silver exports from December 3 to 8, inclusive, was $6\frac{1}{2}$ percent, with the exception of December 7, when the charge was 7 percent. The amount of this charge is interpreted locally as indicating that the authorities are still pursuing the policy of making possible shipments of silver for legitimate requirements. Foreign exchange rates were fairly steady during the past week.

Stocks of silver in Shanghai banks during the last 7 days declined only 10,000,000 yuan to a total of 349,000,000 yuan on December 8. The banknote issue has been increasing with the growing seasonal demand for currency.

On December 3 the Executive Yuan issued an order from Nanking reducing the Exchange Stabilization Fund of the Central Bank from 100,000,000 yuan to only 10,000,000 yuan.

Details of Shantung Silver Embargo (Trade Commissioner A. Viola Smith, Shanghai, 11/9/34)

A Kuo Min News Agency despatch of November 7 indicated that measures formulated by the Shantung Provincial Government for restricting the export of silver had received the approval of the Ministry of Finance. The Shantung Provincial Government Committee decided on November 6, 1934, to seek the aid of the 3rd Route Army, the Tsingtao Municipal Government, and the Tientsin-Pukow and Kiaochow-Tsinan Railway authorities, for strict enforcement of the silver measures.

Prior to the announcement of the restriction, it is stated that unscrupulous Tsinan merchants smuggled out 4,000,000 yuan of silver out of the available stock of 6,000,000 yuan. With the present restrictions and the transportation of that metal to the provincial capital by the Bank of China, the Bank of Communications, and the Central Bank of China, the silver reserves in Tsinan now amount to 5,000,000 yuan. The market has therefore been stabilized.

Silver Equalization Charge Unaltered; Finance Ministry Orders Control of Silver Movements (Acting Commercial Attache A. Bland Calder, Shanghai, 12/1/34)

Tight money the past fortnight has caused a firming of exchange rates on interior points in China. Rates for Hankow, for example, carried a premium of as much as 1.7 percent, later easing to 1.3 percent.

To curb export smuggling of silver, the Finance Ministry has issued two orders. The first permits silver shipments from Shanghai to interior points to be made only by a system of permits. Illegal shipments to the interior will be confiscated. The second order requires that permits shall be obtained for

silver shipments to Manchuria and Jehol, individual travelers being permitted only a limited amount of pocket money in the form of silver.

The equalization charge on silver was unvaried throughout the week ended December 1 at $6\frac{1}{4}$ percent, regardless of fluctuations in the world price of silver. The yuan strengthened slightly during the week, from 33 9/16 cents to 34 cents.

Stocks of silver in Shanghai were estimated at 359,000,000 yuan on December 1, as compared with 410,000,000 a month earlier. The decline during November is in part explained by the normal seasonal outflow to the interior and coastal ports.

Silver Tax and Smuggling (Finance and Commerce, 11/7/34)

Mr. E. Kann of Shanghai writes about the possibility of export smuggling of silver on an increased scale, should the disparity between the exchange rate of the yuan and the price of silver widen. In an article in Finance and Commerce of November 7 he states: "I believe that no project for pegging our dollar is in existence, at least not in the initial stages of what really amounts to an experiment. I furthermore believe that there is no tendency on the part of those who are to guide the destinies of the local exchange market to depress the value of our dollar, by forcing unduly low rates.....Low rates of exchange under prevailing world conditions are not able to assist in the extension of Chinese exports.. The new ministerial order (export tax) is by no means meant to stop or to prevent the further outflow of silver. As a matter of fact, a new shipment has since been made by an American bank. The Customs have been instructed to facilitate future outward shipments of silver by accepting duty payment and also equalization charges before arrival of the steamer in Chinese ports....."

"As long as there is a disparity from world silver prices of 20 to 25 percent, the situation will not cause anxiety. But as soon as the disparity is allowed to widen, I do fear trouble and anxious times. Recently one could observe silver consignments being directed from Shanghai to Swatow and Amoy. To the best of my knowledge both these ports are debtors to Shanghai and not creditors. Therefore, the consignment of silver stocks at this critical time is worth investigating. Attempts at smuggling silver to Dairen have been frustrated in some instances and doubtless left unnoticed in others. Smugglers are getting ready for action. Large amounts of silver are liable to get lost to the country through southern and certain northern ports, even at disparities of from 15 to 25 percent. But should the difference widen we are liable to see serious trouble arising...."

"A disparity of from 30 to 40 percent undoubtedly would cause smuggling on a wholesale scale. The silver would be drawn from banks, partly by presenting banknotes, partly by utilizing credit balances from current accounts. Both movements would be lasting and representing huge sums. Herein lies the danger to our financial markets."

Chinese Press Reaction to Silver Export Duty (Consul General E. S. Cunningham, Shanghai, 10/27/34)

The Chinese press has treated sympathetically the action of Dr. H. H. Kung, Minister of Finance, in fixing an export customs duty on silver. THE SIN WAN PAO

of October 16 pays a particularly warm tribute to Dr. Kung and presents considerable data on the rise in the price of silver after the ratification of the silver legislation in June last. In conclusion THE SIN WAN PAO declares that "Under the present circumstances and in view of the status of the existing financial organization in China, the above is a right move to be taken in checking the outflow of silver; that Dr. Kung has recently taken two important steps, namely, the banning of gold bar speculation and the imposition of the silver export duty; that both are perfectly sound and logical measures conducive to stabilization of financial situation and development of economic interests."

JAPAN

(On December 10 one yen = \$0.2888)

Public Debt on October 31, 1934 (Commercial Attache F. S. Williams, Tokyo, 11/12/34)

The national debt of Japan on October 31 was 8,336,537,000 yen, an increase of 1,476,000 since September. Of the total, domestic debt amounts to 6,928,234,000 yen, a gain of 1,476,000, while foreign obligations amounted to 1,408,303,000, showing no change. Rice purchase bills outstanding at the end of the month totaled 539,946,000, a decline of 20,000,000 yen. During the month 1,475,950 yen of 4 percent bonds were issued and 68,000,000 yen of rice-purchase bills, while 88,000,000 yen of old rice-purchase bills were redeemed.

Special Profits Tax Will Hit Metal and Rayon Firms Heavily (Commercial Attache F. S. Williams, Tokyo, 11/12/34)

According to a decision said to have been made on November 4, the temporary special-profits tax will not apply to salaries, bonuses, etc. The general basis for assessing the tax will be the profits during 1930 and 1931. Industries that will be most severely affected are the iron, steel, mining, spinning, and rayon. According to a survey made by the Mitsubishi Economic Research Bureau covering 34 industries, 20 earned profits in 1933 exceeding the amount exempted from the new tax. Of these, the rayon industry is accredited with 10.9 percent above the exemption point, iron and steel $7\frac{1}{2}$ percent, woolen 6.7 percent, metals $6\frac{1}{2}$ percent, flour mill 5 percent, chemical 4.6 percent, and trading companies 4.3 percent. Some industries, such as mining, taken as a whole, show profits below the taxation level; but individual companies such as gold-mining concerns are realizing profits considerably above this level.

The Tokyo Asahi Examines the Budget (The Trans-Pacific, 11/8/34)

In a long editorial on public finances, The Tokyo Asahi discusses the proposal to improve new taxation as follows:

Two important facts emerge from the decision of the Finance Minister to increase the revenue by taxation in the next fiscal year. One is that he has come to realization of the need for a fair distribution of the burden of taxation. The other is that he has formed a fairly strong conviction regarding how the future financial program of the Government should be worked out. The question of higher taxation will bring to the fore the question of increasing postal rates and that of transferring part of the profits of the Government railways to the general account. Increasing the revenue by taxation or by increase of postage rates, or the transfer of railway profits simply

for the purpose of obtaining more money would be meaningless. Has the Finance Minister the courage to insist that any increase in revenue by taxation should be used to reduce the revenue deficit? Everything depends upon this. We wait to know what attitude he will adopt toward the demands of the Army and Navy Ministers for resuscitation of their new items of expenditure which have been deleted by the budget bureau of the Finance Ministry. If he should yield to their importunities, we shall be forced to conclude that all his talk about the necessity of restoring budget equilibrium will have been lip service to the cause of sound finance.

Public Reaction to the Proposed New Profit Tax (Commercial Attache Frank S. Williams, Tokyo, 11/5/34)

As a temporary measure to increase national revenue, the Minister of Finance has decided to enforce an emergency special profit tax during the next fiscal year. It is generally recognized that definite steps must be taken by the Government to decrease the issuance of the deficit bonds. The chief opposition to the emergency tax lies in the fact that it provides no basis means for improving the financial position of the Government in the coming year. The budget for 1935-36 is not in itself a matter of grave concern, as there is little doubt that sufficient funds can be raised by bond issues to meet the deficit; but financiers and industrialists are becoming seriously concerned over the continued reliance of the Government on bond issues rather than balancing the budget by "more businesslike arrangements".

Note Issue and Gold Reserve

The note issue of the Bank of Japan on October 27 totaled 1,204,000,000 yen, the average gold reserve during the preceding 7 days being 462,000,000 yen^{at} its old par value. Since the gold value of the yen has depreciated to about 34 percent of its gold parity, the present yen value of the gold reserves is correspondingly larger. Were the yen to be revalued on the basis of its present gold value, the gold reserve of the Bank of Japan would become approximately 1,348,000,000 yen, a coverage of over 100 percent.

Finance Minister Addresses Japanese Bankers

The Financial Commission of the Imperial Japanese Government in New York has received a cabled summary of the Finance Minister's speech of December 4 before the Bankers Association of the Kwansai region. According to the summary, "The gradual and steady industrial recovery is amply indicated by such phenomena as the production of staple goods, the improvement in the index numbers of factory employment, and the advance in railroad freight-car loadings.

"During the past 2 years the yen exchange has been fairly stabilized, partly owing to the enforcement of the Exchange Control Law. However, international economic relations are still confusing and unstable; no international agreement concerning currency or exchange has yet been reached but, sometimes, even within a country a governmental policy concerning such matter is very frequently changed. Consequently, under such chaotic circumstances of the international exchange market, it is almost impossible to make any further attempt for the stabilization of our currency in terms of foreign currencies, and we have to keep a watchful eye on the developments in various foreign countries and take the necessary steps to cope with any situation we may encounter. For the satisfactory working of the

Exchange Control Law, the cooperation of the bankers is earnestly requested. Although the tendency toward lower interest rates is generally prevalent, there are still some regions of the country where the rates are not low enough, and the bankers are expected to exert themselves to eliminate that condition altogether."

Special Profit Tax Approved by Cabinet (Commercial Attache Frank S. Williams, Tokyo, 11/26/34)

Final Cabinet approval of the special profit tax of 30,000,000 yen has been granted.

Cabinet Adds Appropriations to Budget (Commercial Attache Frank S. Williams, Tokyo, 11/26/34)

The budget as submitted to the Cabinet has been approved with the addition of 40,000,000 yen each for Army and Navy purposes, and 68,000,000 yen for disaster relief.

October Banking Figures (Commercial Attache Frank S. Williams, Tokyo, 11/26/34)

The Finance Ministry reports deposits in all banks in Japan at 12,158,000,000 yen in October, a decrease of 19,000,000 during the month. Loans at 9,683,000,000 yen represented an increase of 31,000,000. The advances of the "ordinary" banks are the highest since November 1933.

Capital Issues Smaller in October (Commercial Attache Frank S. Williams, Tokyo, 11/12/34)

There was a decline in new capital investments in shares during October as compared with September. According to the Bank of Japan, investments in new enterprises reached 25,330,000 yen, capital increases amounted to 47,690,000 yen, and debenture issues to 2,100,000 yen, a total of 75,120,000 yen, which was 52,034,000 less than in September but 26,083,000 more than in October 1933.

Bond Yields in Japan

The declining yield on bonds may be traced in the Hypothec Bank of Japan's bulletin for November 1, 1934. From an average of 5.83 percent in December 1932, the yield declined to 5.11 in December 1933 and 4.92 in November 1934. For Government bonds alone, the averages were 4.66 in December 1933 and 4.59 in November 1934. The yield on corporation debentures in December 1933 was 5.64, and in November 1934, 5.31.

NETHERLAND INDIA

(On December 10 one Dutch florin = \$0.6759)

Discount Rate Reduced (Trade Commissioner Charles E. Brookhart, Batavia, 12/1/34)

The discount rate of the Bank of Java was again lowered on November 1 to $3\frac{1}{2}$ percent. The effect on business is believed without significance, however, as the discount privilege is little used. Money is plentiful.

PALESTINE

(One Palestine pound = one pound sterling, or on Dec.10, \$4.9525)

Currency in Circulation (Consul Joseph L. Brent, Jerusalem, 10/31/34)

Notes and coins in circulation in Palestine at the end of September 1934, according to the Palestine Gazette of October 11, totaled 4,463,664 Palestine pounds. There are 1,617,744 one-pound notes in use, but only 151 hundred-pound notes.

PHILIPPINE ISLANDS:

(One peso = 50 cents. Philippine currency is pegged to the U. S. dollar. The Treasurer of the Philippine Islands is required by law to sell exchange on the U. S. at the rate of 2 pesos for 1 dollar, charging 5/8 percent premium for demand drafts and 1 1/8 percent premium for telegraphic transfers.)

Accord Reached on Budget (Trade Commissioner J. B. Richards, Manila, 10/31/34)

The apparent deadlock reached by the Senate and House of Representatives on the 1935 budget has been broken with the House acceding to most of the Senate demands. The budget as originally passed by the House amounted to 41,637,330 pesos while the Senate budget amounted to 43,162,217 pesos. The difference was due largely to the fact that the Senate insisted on including appropriations for positions at present vacant and on providing for the difference between the actual and authorized salaries. The House has given way on both of those points and has restored certain sundry items that were originally in the Governor-General's budget proposal but were eliminated in the House of Representatives budget. The Senate in return has agreed to the House insistence on a reduction of 3 percent in the expenditures of the several departments. Details of the new budget as it will finally be approved are not yet available.

Governor General Vetoes Various Appropriation Bills (Trade Commissioner J. Bartlett Richards, Manila, 12/8/34)

The Governor General has vetoed most of the appropriation bills, excepting the general budget and the public works appropriations. The general budget has been cut 425,000 pesos to 42,800,000 pesos. Public works appropriations have been cut to 3,450,000 pesos for port works and 240,000 for public works.

Tax on Banking Assailed (Trade Commissioner J. Bartlett Richards, Manila, 10/29/34)

The existing tax on capital and deposits of banks in the Philippines is being assailed, particularly since a recent decision of the Supreme Court excepted the National City Bank of New York from paying the tax on the grounds that it is connected with the Federal Reserve Bank, a fiscal agent of the Federal Government. It is claimed that this imposes an undue hardship on Philippine banks.

Status of the Banking Bills (Trade Commissioner J. B. Richards, Manila, 11/3/34)

The Finance Department hopes to put through bills in the present session of the legislature abolishing the tax on the capital of domestic and foreign banks, and increasing the tax on deposits. The banks would be allowed 10 years to dispose of lands acquired by failure of borrowers, instead of 5 years as at present.

Philippine National Bank Creates Small Loan Department (Trade Commissioner J. Bartlett Richards, Manila, 12/8/34)

The Philippine National Bank has created a small loan department for financing small retailers and similar borrowers.

Philippine Bank Loan Moratorium Vetoed (Trade Commissioner J. Bartlett Richards, Manila, 12/8/34)

In vetoing the bill granting the Philippine National Bank a moratorium on its rice, coconut, and hemp loans, the Governor General pointed out the desirability of letting the directors of the bank determine the bank's policy.

STRAITS SETTLEMENTS

(On December 10 one dollar = \$0.5806)

Financial Statement for 1933, and Colonial Estimates for 1934*

The Finance Division has received copies of the "Colonial Estimates of the Straits Settlements Government for the Year 1934," and "Financial Statements of the Straits Settlements for the Year 1933."

TURKEY

(One Turkish pound = 12.06 French francs or, on Dec. 10, \$0.7947)

Gold Reserves 22 Percent of Note Issue (Commercial Attache Julian E. Gillespie, Istanbul, 11/14/34)

According to the Central Bank, its gold reserve on November 1, 1934, amounted to 32,501,272 Turkish pounds, held as follows: 19,287,747 pounds in gold bullion and coin, in the Central Bank at Ankara; 2,515,004 in gold held in banks and other financial institutions in Turkey; 5,354,884 in gold held in banks outside of Turkey; and 5,343,637 held in banks abroad in the form of foreign exchange easily convertible into gold. On January 4, 1934, the Central Bank reported its gold holdings as 24,986,000 Turkish pounds.

The note circulation of the Central Bank on November 1, amounted to 147,771,944 Turkish pounds. The gold coverage, therefore, is approximately 22 percent.

Turkey's Economic Situation (Various sources)

A survey of Turkey's economic position leads to the following conclusions:

1. The importation of consumers goods has decreased during the past 4 years on account of the high tariff and the imposition of import quota restrictions. Exports of Turkish commodities have increased in volume, but show a decrease in value due to the reduced world prices for commodities and raw materials.

2. Crop returns in 1934 have been average or more than average, and the return to the producer is greater than in either 1932 or 1933.

3. Owing largely to the recently concluded commercial agreements and clearing conventions, Turkey has found a new method of "forcing" exports.

4. Turkey has had a favorable foreign trade balance for the past 3 years, and through its clearing conventions is endeavoring to assure a continuation of a favorable balance of payments.

5. Taxation in Turkey is heavy - unusually heavy. There may be dissatisfaction among the Turkish population on account of the heavy taxation, but there is no voiced expression to this effect. The recently imposed consumption taxes on articles of prime necessity have resulted in increased revenues to the State rather than diminished returns.

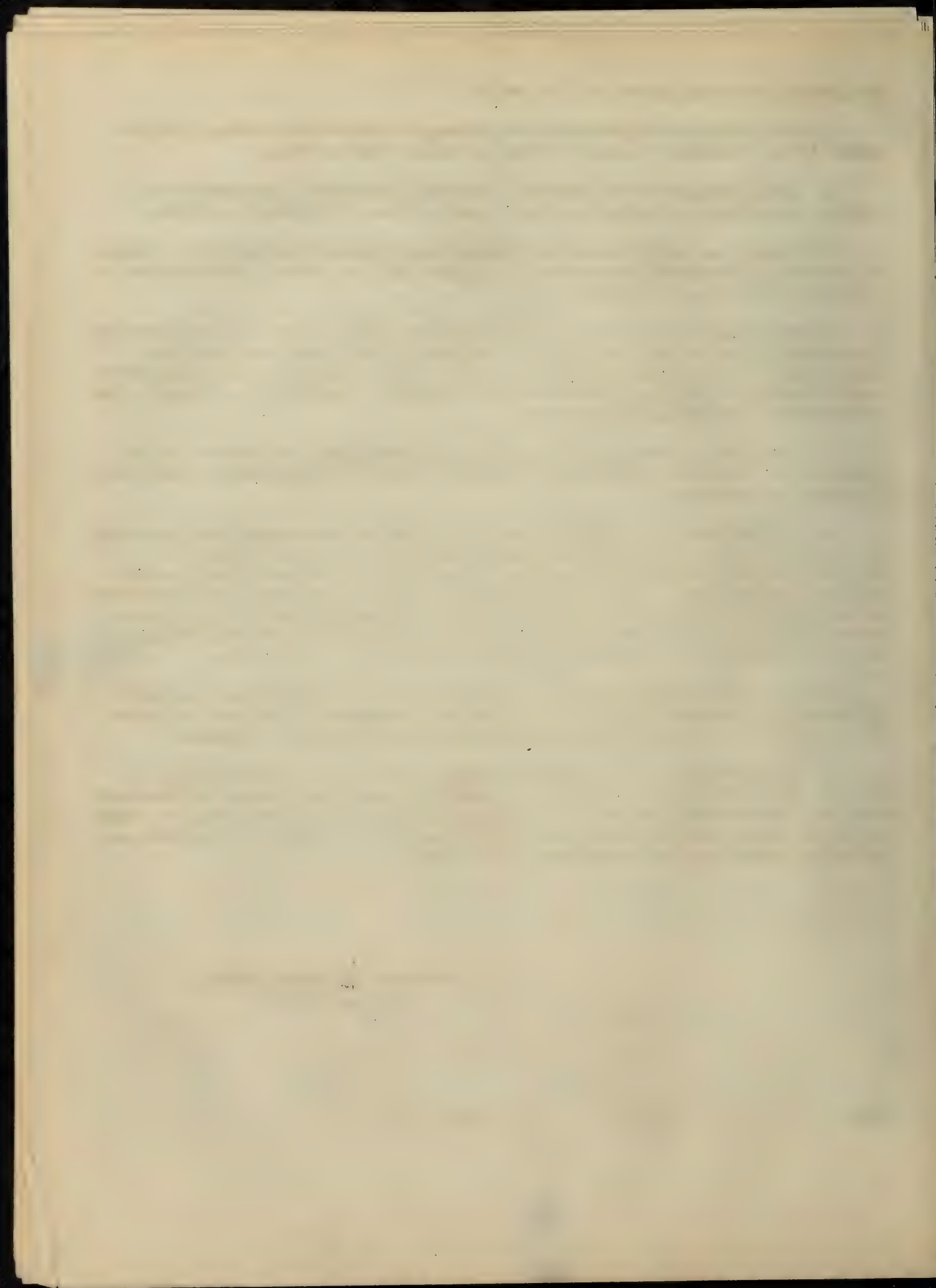
6. The Turkish Government is utilizing approximately 40 percent of its revenues for "security" and national defense. Turkey is following a policy of military preparedness.

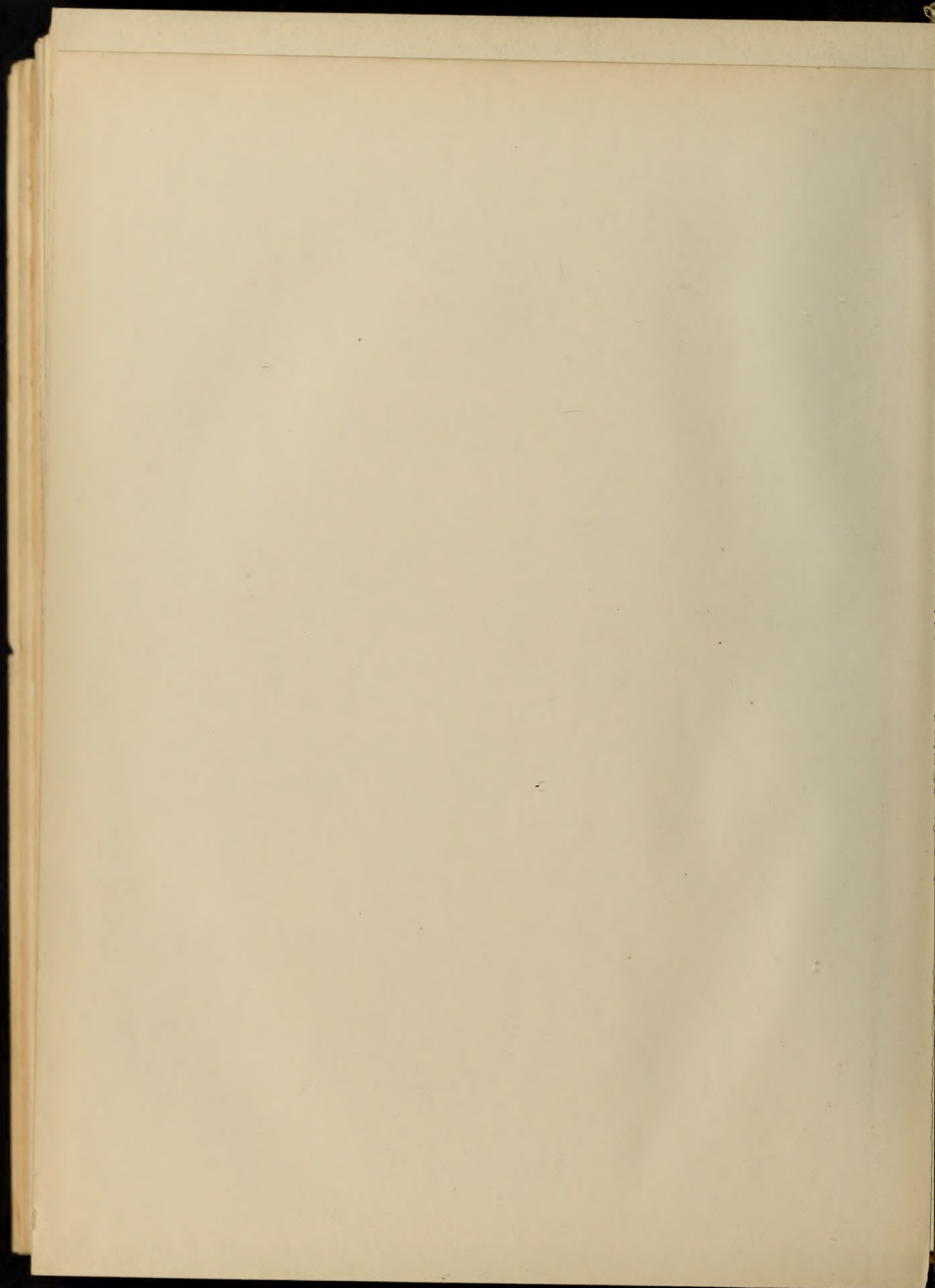
7. A Five-Year Plan, which envisages industrial development and expansion, has been approved by the Government and is in process of realization. It is recognized that a considerable portion, if not all, of the industrial program has been inspired and is being fostered by military and strategic considerations rather than for reasons of national economy. The industrialization program as contemplated may not be along economical lines, but the program will be put through irrespective of generally accepted principles of economies.

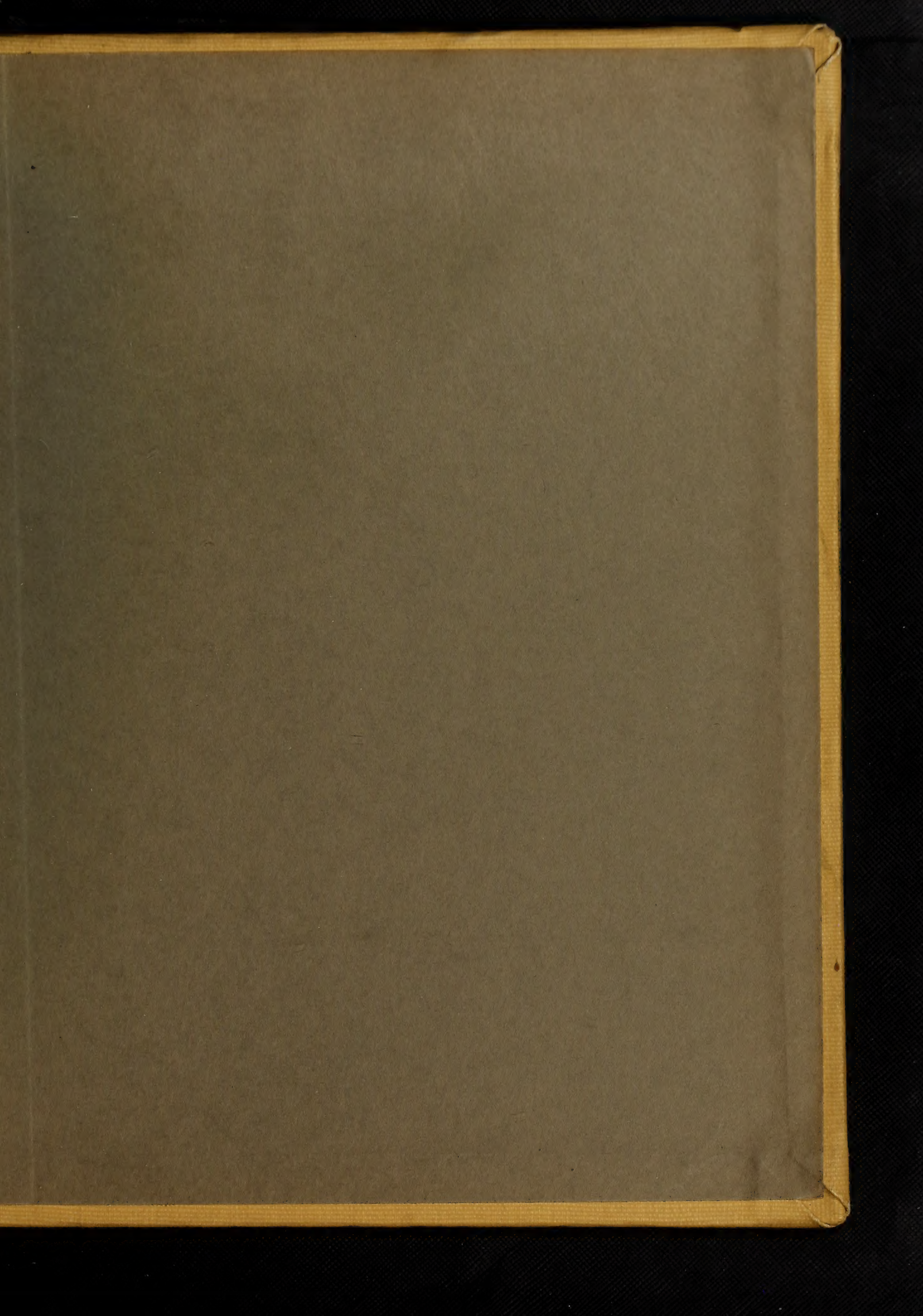
8. European industrialists and manufacturers of machinery and equipment are extending long-term credit to the Turkish Government in the sale of industrial machinery and equipment railway supplies, and military equipment.

9. The essence of the Turkish situation may be succinctly expressed as follows: The Government is following a carefully considered policy of "Etatism" which may be variously defined as state capitalism, state paternalism, or state socialism and is, through additional heavy taxation, diverting to the State an increasing amount of the annual national income.

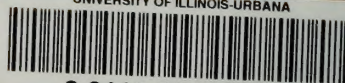
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